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DEATH AT SEA — A Turkish sailor's body being carried from a U.S. Marine helicopter Friday in Izmir, Turkey. He was killed by a missile fired from the U.S. carrier Saratoga that hit the destroyer Manvenet during NATO exercises in the eastern Mediterranean. The Turkish captain and four of his crew were killed. Page 2.

Bundesbank Maintains High Interest Rates, Markets Slide

Brandon Mitchener
International Herald Tribune
SCHWERIN, Germany — The Bundesbank dashed widespread hopes Friday that it would cut its key interest rates soon to ease strains in the currency markets and promote economic growth in Europe.

European stocks tumbled and the pound skidded to a low against the Deutsche mark, falling more than four ppc from Thursday's close on disappointment with the Bundesbank's decision. (Page 13).

At a rare policy meeting outside Frankfurt, the central bank left unchanged the two key interest rates that effectively form a ceiling and floor for its money market. But it offered a little

solace to investors by indicating increased flexibility in fine-tuning its interest-rate policy and in reacting to monetary growth.

The Bundesbank has been keeping its short-term rates high to counter inflation arising from German unification.

The central bank left its discount rate, the effective floor for overnight money rates, at 8.50 percent, and its Lombard rate, at which banks borrow urgently needed funds, at 9.25 percent.

Helmut Schlesinger, the Bundesbank president, said the Lombard rate "has no meaning" for the unsettled European currency market.

He insisted German interest rates, both short- and long-term, were lower than many of the central bank's critics realize and lower than many of its neighbors' rates.

Among major industrialized nations, only Japan, Switzerland and the United States have lower long-term interest rates, he said.

Mr. Schlesinger said the rate German banks charge each other on overnight loans — the most influential interest rate for the currency market — has fallen to 9 percent from around 9.7 percent at the beginning of last month.

"Money-market rates have settled between the discount rate and the Lombard rate and it is very much our intention to keep them at these levels for now," he said.

Analysts welcomed signs that the Bundesbank appeared to be seeking monetary policy flexibility. The central bank said it would cut the period on repurchase agreements, which are short-term collateralized loans, to two weeks from the usual one or two months.

Analysts said the short term would make it easier for the Bundesbank to fine-tune money market rates, but they noted the tool could be used two ways.

"Now the Bundesbank is in the position of being able to keep its operational policy soft, but you can't rule out the possibility that at some time in the future they will use their scope to tighten monetary policy without raising the key rates," said Joseph Prud'homme, an economist at MMS International in Frankfurt.

Beshara Madi, an economist at Morgan Stanley & Co. in London, agreed, saying, "Should they in the future decide to tighten, they have room to move money market rates up as well as down."

The most interesting comment to come out of Friday's developments, analysts said, was the statement by Otmar Issing, a Bundesbank

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Small Drop In Jobless Rate Fails To Calm U.S.

Economy's Slow Growth Holds Little Promise For Sharp Improvement

By John M. Berry
Washington Post Service

WASHINGTON — The U.S. unemployment rate in September was marginally better than had been expected, slipping to 7.5 percent, according to government figures released Friday, but the monthly jobs data showed an economy that was barely growing.

The unemployment rate fell from 7.6 percent in August, and only 57,000 jobs were lost, compared with 128,000 the previous month.

The report, the last look at the jobs picture before the presidential election on Nov. 3, seemed to ease pressure on the Federal Reserve Board to cut interest rates.

But the data did not please Wall Street. The stock market tumbled more than 50 points, with investors seeing on all the bad news they could find. Stocks fell as the likelihood of an interest-rate cut faded on the better-than-expected data, but the market was also weakened by the poor outlook for third-quarter company profits, which are to be released starting next week. (Page 14)

The data was immediately seized upon by President George Bush as a sign that the recovery was gaining momentum, while Democrats said it confirmed the economy is struggling.

"It's encouraging news," Mr. Bush said in a television interview show. "This is the third consecutive month of moving in the right direction," he said. "It certainly goes against the political grain where some are saying it was getting worse."

Noting Mr. Bush's comment that the economy was moving in the right direction, his Democratic challenger, Governor Bill Clinton of Arkansas, quipped in Toledo, Ohio, that "in a way, we are," Mr. Clinton explained. "We are going to move him out of the White House."

Since peaking at 7.8 percent in June, the civilian unemployment rate has gone down a tenth of a point each month. But most of the decline has been due to a temporary drop in the number of people at work or seeking jobs rather than a significant rise in employment.

The report included a revision in August payroll figures to show a 128,000 decline rather than the 87,000 estimated last month, and it caused forecasters to shave their predictions of how fast the economy was growing.

At Merrill Lynch & Co., Bruce Steinberg, the macroeconomics manager, said the Labor Department report and other recent weak statistics had caused the brokerage firm to knock down the expected rate of increase in the inflation-adjusted gross domestic product to 1.6 percent for the fourth quarter of 1992 and 1.8 percent for the first three months of next year.

Economists generally believe that it takes a growth rate of around 2.5 percent for the economy to create enough new jobs to accommodate normal, population-driven increases in the size of the work force. Growth lower than that likely would mean rising unemployment, as it has over the past two years.

Candidates Set Hectic Debate Schedule, 3 in 9 Days

By Dan Balz and Ann Devroy
Washington Post Service

WASHINGTON — Advisers to President George Bush and Bill Clinton have agreed in principle to a series of three presidential debates and one vice presidential debate during a nine-day period beginning Oct. 11, sources familiar with the negotiations said Friday.

The two sides agreed to one debate with a single moderator, the format favored by the Arkansas governor, and another with a panel of reporters, as preferred by Mr. Bush. The final debate, sources said, could be some combination of the two.

Sources also said they expected that the independent presidential candidate, Ross Perot, would be invited to take part in the debates, as would his running mate, James B. Stockdale.

"Whenever they debate, we'll debate," Mr. Perot said.

The agreement sets the stage for a nine-day debate marathon that could prove crucial to the outcome of the campaign.

After a long and sometimes difficult day of negotiations, the Bush campaign chairman, Robert M. Teeter, and the Clinton campaign chairman, Mickey Kantor, announced late Thursday night that the two sides had reached tentative agreement on the number, timing and

format of the debates, but they refused to provide details.

Mr. Teeter said that some details were still to be negotiated and that the two sides would make a formal announcement of the full debate package on Saturday.

The two campaigns have not settled on the locations or sponsorship of the debates, although it is likely that the four cities that had agreed to be host to the debates under the auspices of the bipartisan Commission on Presidential Debates will be given first consideration. Those cities are East Lansing, Michigan; Louisville, Kentucky; San Diego; and Richmond, Virginia.

The first debate will be held Oct. 11, followed by the vice presidential debate on Oct. 13. The second presidential debate is scheduled for Oct. 15, with the concluding encounter on Oct. 19. All four dates coincide with sporting events, the first three with the major league baseball playoffs and the fourth with the Monday night football game.

The major sticking point in the negotiations, according to sources, involved the timing of the last debate. Mr. Bush's negotiators pressed for two late debates, one on Oct. 25 and the other on Nov. 1, two days before the election. But Mr. Clinton's team vigorously opposed

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Perot Aftershock: Effect Uncertain, Like Opponents

By R. W. Apple Jr.
New York Times Service

DALLAS — Ross Perot has shaken the scaffolding of American politics by re-entering the presidential race, but it is only an aftershock compared with the major earthquakes he caused earlier this year.

No one knows for sure whom he is likely to take more votes from, or how many, and the campaign staffs of President George Bush and Governor Bill Clinton are both more apprehensive than they let on.

In certain circumstances, Mr. Perot could alter the dynamics of the race, particularly if he takes part in television debates and manages to prevent Mr. Clinton or Mr. Bush or both from

nominees tightens, he could tip the balance by throwing vital states to one or the other.

But Mr. Perot no longer commands anything approaching the support that he had early this summer, when for a time he led both Mr. Bush and Mr. Clinton in some polls. His abrupt and ill-explained departure from the contest in July, for which he apologized at his news conference here on Thursday, cost him not only volunteers but also a good deal of credibility.

It is also much later in the game. Most voters have made up their minds, however tentatively,

and Mr. Perot has only a month to persuade them to give him a second chance.

He spoke of a long, hard slog to restore a nation whose political process and government he described as messy. He said that it would take sacrifice on everyone's part to rebuild an educational system, an industrial base and a health-care network that he said were in disastrous decline. Some still see him as a potential savior, but many more, to judge from talks with

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WorldCupUSA94

THE 1994 World Cup, soccer's greatest event, is also an extraordinary challenge to the United States. Building an infrastructure, welcoming hundreds of thousands of fans (including the things who bedevil the sport in Europe) and deciding if they really like the game themselves — the Americans' task is immense. The United States just may not be preparing with the necessary diligence and professionalism. In Monday's International Herald Tribune, sportswriter Ian Thomsen begins a three-part series of articles on how the Americans are managing two years before the play begins.

scoring with viewers. That could prompt many voters to ponder anew their views of all three candidates.

If the race between the two major-party



Policemen in Rome clashing Friday with leftists who attacked a march called by labor unions to protest austerity measures.

Italian Roulette: Forced Austerity

By William Drozdiak
Washington Post Service

ROME — By almost every standard for a Western democracy, Prime Minister Giuliano Amato is committing political suicide.

He is raising taxes as Europe slides deeper into recession. He is slashing social security benefits and health care subsidies for about 20 million Italians. He is ready to jettison tens of thousands of jobs in selling off huge state enterprises to the private sector.

"My government is one of necessity, not popularity," the Socialist leader said in an interview in his elegant office in the 16th century Palazzo Chigi. "I am trying to tell people that things can no longer be the same; that, in effect, it is time for Italians to enter the human race. I know it will be difficult to survive with that kind of message."

Mr. Amato, who became head of a fragile four-party ruling coalition in June, introduced a \$76 billion austerity package two weeks ago after turmoil in world money markets led to a sharp devaluation of the lira and its suspension from the European Monetary System.

"We had reached the edge of the cliff and it

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A Scandal Apart in Japan

This Time, 'the People Have Given Up'

By David E. Sanger
New York Times Service

TOKYO — For weeks now, Japan has been consumed with yet another scandal, one that sounds eerily like the last three: powerful politicians are caught taking millions of dollars from businessmen desperate to manipulate the country's political system, the public is outraged and the government offers vague promises to clean up a rampantly corrupt system.

But in critical ways, this scandal has been dramatically different. Rather than resign and sink out of view for a decent interval, the key players have all but brushed it off.

On Thursday, only days after admitting to charges that he received \$4 million in illegal contributions, Japan's most powerful politician, Shin Kanemaru, emerged from his house

the revelations that these politicians used gangsters to solve their problems for them." But he went on to say that "everyone knows that there is no real alternative" to the governing party.

Why the well-educated, well-heeled electorate of the world's second-largest industrial democracy tolerates the never-ending series of scandals is an enduring mystery, debated these days on nighttime political talk shows and in newspaper editorials. The most common answer offered is that, corrupt or not, the Liberal

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NEWS ANALYSIS

for the first time in months, declared that the issue was settled, and headed off to work.

And though the public has usually trusted Japan's normally dogged prosecutors to pursue every illegality, it has widely criticized them this time for showing remarkable deference to Mr. Kanemaru and then ending their investigation before reaching the most explosive issue, the ties between Japan's political leaders and the country's mobsters.

Overwhelmingly, Japanese say the message being sent is clear: What makes this scandal different from the others is that this time no one really thinks anything will change once the protests die down. Most conspicuously, Prime Minister Kiichi Miyazawa has repeatedly refused to acknowledge the scandal publicly. He has grown visibly angry at Japanese reporters, stalking away when they bring it up.

"People have given up," said Minoru Morita, one of the country's leading political commentators. "There is a lot of rage, especially about,

Kiosk

Russia Forbids Gorbachev To Leave

MOSCOW (Reuters) — Russia will prevent Mikhail S. Gorbachev from leaving the country until he testifies at court hearings on the banned Soviet Communist Party he once headed, Itar-Tass news agency said Friday.

Mr. Gorbachev, who is scheduled to visit South Korea soon, has refused to testify on the ground that the hearings were being exploited for political ends. The court told Mr. Gorbachev that he had no more right than any other Russian to withhold testimony in a trial investigating the legality of the party.

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Technical problems have interrupted transmission to the paper's printer in Hong Kong, this week and interfered with normal distribution there. We're glad that the problems have been solved and regret any inconvenience this may have caused.

To Our Readers

Technical problems have interrupted transmission to the paper's printer in Hong Kong, this week and interfered with normal distribution there. We're glad that the problems have been solved and regret any inconvenience this may have caused.

So far, Converse — which pays him an

Magic's Shoes: How Many Millions?

By Bruce Horowitz
Los Angeles Times Service

LOS ANGELES — As Magic Johnson returns to the basketball court, not all eyes will be on his sleight of hand. Many will be on his flight of feet — specifically, his shoes.

No one will be watching more closely than executives from Reebok, Nike and L.A. Gear. Two months ago, Mr. Johnson said he wanted to split from his longtime sponsor, Converse. At the time, the issue seemed moot since Mr. Johnson's National Basketball Association playing days were supposedly over.

But Thursday, he signed a \$14.6 million contract extension for the 1994-95 season with the Los Angeles Lakers — believed to be the biggest single-season salary in team sports. In November, Mr. Johnson retired from the team, announcing that he had tested positive for HIV, the virus that causes AIDS.

So far, Converse — which pays him an

estimated \$2 million annually to wear its shoes — has refused to let him go.

But with Mr. Johnson's shoe status still in limbo, every major athletic shoe maker knows one thing for sure: If his health holds up, he will be the most widely watched NBA basketball player this season.

"It's a powerful question: What shoes will Magic Johnson be wearing next season?" said Alan Friedman, editor of Team Marketing. "Those are some high-profile feet to be shod."

"If Magic were free, we certainly would like to sit down and talk with him," said Roberto Muller, president of Reebok Sports Worldwide, who insists that he has had no contact with Mr. Johnson. "You'd have to develop a relationship that went well beyond a shoe deal — and beyond his playing days."

"Reebok is the best bet," said John Horan, publisher Sporting Goods Intelligence.

"They're into all that stuff like social responsibility and Amnesty International. They could really get behind this AIDS thing and run with it."

Mr. Johnson was unavailable for comment. But his Los Angeles agent, Lon Rosen, said that conversations are still ongoing with Converse. "We're in discussion to see if things can be fixed or ended," Mr. Rosen said.

Before Mr. Johnson announced earlier this week he was returning to the Lakers, Mr. Rosen said he called Converse "to let them know he's coming back."

"We owe that to them."

That was hardly Mr. Johnson's tone during the Olympic Games, when he blasted the sneaker maker that has had him under contract since 1979, the year he entered the NBA.

Industry executives say Mr. Johnson is angry that Converse failed to make him the marketing darling that Nike has made of Michael Jordan.

Turks Get Pentagon Apology

U.S. Navy Missile Kills 5 Sailors

Compiled by Our Staff From Dispatches
WASHINGTON — The U.S. Navy started an investigation Friday after an American aircraft carrier accidentally attacked a Turkish warship with anti-aircraft missiles, killing at least five Turkish sailors.

U.S. officials said they were puzzled how the complex firing sequence for the Sea Sparrow missiles on the ship was initiated when there was no missile test planned.

Among those killed was the commanding officer of the Turkish ship, Captain Kudret Gungor, the Turkish general staff said. At least 14 Turkish sailors were injured.

The disabled warship, the *Muavenet*, was put under tow Friday and headed for its home port, Turkish military officials said. It was expected to arrive Saturday.

NATO's top military commander apologized in Germany for the "tragic" accident in the Aegean Sea. General John M. Shalikshvili, an American, promised "a quick and full investigation" and said a U.S. naval officer was aboard the Turkish destroyer to investigate the accident.

The carrier *Saratoga* launched the two Sea Sparrow missiles late Thursday. At least one of the missiles struck the destroyer, according to a statement issued in London by the commander of U.S. naval forces in Europe, Admiral Mike Boorda.

There was no information about how the firing occurred and no report of U.S. casualties, said the Pentagon and the U.S. naval command in Europe.

Admiral Frank Kelso, chief of naval operations, said at the Pentagon, that there was "no scheduled firing of missiles" planned during the exercise.

The admiral said he had never encountered such an accident during his 37 years of naval service and that the loss of life "deeply saddened" him. "I'd have to classify it as an accident," he said. "We have to determine what caused it."

General Carl Mundy, the commander of the Marine Corps, said that a three-admiral board had been convened to investigate the incident. "We have to find out what happened, and we will," he said.

Admiral Boorda said the accident occurred in the Aegean, about 130 kilometers (80 miles) west of Izmir, Turkey, during the North Atlantic Treaty Organization exercise Display Determination '92.

Turkish authorities first reported that nine had been killed but later revised the figure to five, a spokesman at the U.S. Navy Headquarters in Europe said.

The spokesman, Commander Charles Connor, also said the accident was "quite unusual" since no missile firings were scheduled during the portion of the exercise that was underway.

"We're sending three very, very senior admirals out to all the ships to find out just went wrong," he said. "It's quite baffling to us. I could have been any number of things — mechanical, human error. I can't sit here and guess or speculate but we'll be getting to the bottom of it very quickly."

The acting secretary of state, Lawrence S. Eagleburger, called the Turkish ambassador to the United States to express "apologies and sympathy over this tragic incident" and convey sympathy for victims and families, Commander Connor said.

The Pentagon spokeswoman, Major Katherine Ingram, said one missile hit the *Muavenet's* bridge, an area of the ship that controls navigation, about midnight.

A resulting fire was extinguished in 15 minutes, she said, adding that the ships were about five kilometers apart when the missiles were accidentally fired.

Crewmen from the *Saratoga* were dropped onto the stricken ship by helicopter to help with the rescue. A multinational contingent of ships in the region, including the *Thomas G. Gates* and the *John A. Sledge*, also sailed to the vessel's aid.

It was not known how many people were aboard the *Muavenet*, but the ship's full crew numbers 274.

Both ships were taking part in an annual NATO exercise consisting of vessels from the southern region, the Pentagon said. The exercise usually involves the United States, Turkey, Greece and Italy.

The *Muavenet* was formerly the American Robert H. Smith-class destroyer *Gwin*, commissioned in 1944. It was transferred to Turkey in 1971 after having been converted for mine-laying.

The incident recalled two other fatal accidents involving U.S. warships. The *Vincennes* shot down an Iranian Airbus on July 3, 1988, over the Strait of Hormuz, killing all 290 people aboard.

On May 17, 1987, the *Stark* was fired on by Iraqi missiles in the Gulf during the Iran-Iraq war. Twenty-eight Americans were killed in what President Saddam Hussein of Iraq called an accident.

(AP, NYT)



SUPPORT FROM OUTSIDE ISRAELI PRISONS — Palestinian women among about 200 mothers, sisters and wives protesting Friday in Jerusalem in support of 4,500 Palestinians on a hunger strike in prisons in the occupied territories. The police minister, Moshe Shahal, said he would consider prisoners' demands as part of a general review of prison conditions, but gave no timetable. The strikers seek closure of solitary confinement units and more and better food.

U.S. and France Resuming Sarajevo Airlift

Compiled by Our Staff From Dispatches
GENEVA — The suspended international airlift to the Bosnian capital of Sarajevo will resume Saturday with American and French planes, the office of the UN High Commissioner for Refugees said Friday.

But Britain said it would not participate because it has not received adequate guarantees from the combatants, and Germany said its participation would be delayed while anti-missile devices are fitted on its planes.

The refugee agency's spokesman, Ron Redmond, said there would be five flights a Saturday — three American and two French — carrying food and medical supplies for the city's population of about 380,000.

For two months during the summer, the airlift was a lifeline for Sarajevo, which has been under siege by rebel Serbs since April. It was suspended on Sept. 3 after an Italian transport plane was shot down by a missile.

Before the announcement of the operation's resumption, another spokesman said the agency, which played a major role in organizing it, was "obviously thrilled."

"It is not a moment too soon," she declared. Earlier this week she said that up to 400,000 people could face death from hunger or exposure over the coming winter in Bosnia.

She said several governments "are still in the process of fitting planes with equipment to give some defensive capacity."

Earlier this week, Foreign Secretary Douglas Hurd of Britain said airlift countries were agreed they would resume together when they

finally made the decision. But in London the Defense Ministry said it had no immediate plans to resume humanitarian flights into Sarajevo.

In Bonn, a Defense Ministry spokesman said Germany was unlikely to restart the humanitarian airlift to Sarajevo until the middle of the month.

"We cannot start right away," a Defense Ministry spokesman said. "We are still in the process of fitting electronic devices into the aircraft" for detecting weapons.

Meanwhile, more than 1,500 prisoners of war, mainly Muslims, were freed Friday and escorted to safety by the Red Cross from a Serbian detention camp in northern Bosnia.

UN relief officials who accompanied the convoy on its way to the Croatian border said that up to

200,000 terrified civilians may flee from the Serbian threat in Bosnia within the next two weeks.

Yugoslavia's Tanjug news agency reported heavy fighting in northern Bosnia, where Serbian forces were trying to widen a corridor connecting Serb-occupied regions in Bosnia and Croatia with Serbia.

The International Committee of the Red Cross sent 35 buses and ambulances Thursday to evacuate all 1,560 prisoners released from the Tmopolje detention camp and take them to Karlovac, Croatia.

The warring factions in Bosnia-Herzegovina agreed at a London peace conference in August to close detention camps and let the Red Cross and UN safely evacuate detainees. Tmopolje was the first camp to be shut down.

(Reuters, AP)

Officials said that Mr. Bush had decided to support the ban on Thursday after meeting with senior administration officials.

One of the officials, who spoke on condition of anonymity, said the White House was determined to make Serbian forces in Bosnia comply with their promise not to fly combat planes. Serbian leaders promised during a London conference in August not to undertake combat flights, but have been using planes aggressively to bomb occupied Bosnian Muslims since then.

The details of how the ban would be enforced were unclear. The United States and its allies have imposed curbs on flights over northern and southern Iraq, and have threatened to shoot down any Iraqi planes entering the area.

It was not immediately clear how aggressively the West would enforce a similar zone over Bosnia.

Mr. Bush was in effect rejecting the advice of General Powell, who publicly questioned the utility of a ban in a recent interview with *The New York Times*.

Bush Backs A Ban on Serb Sorties In Bosnia

By Michael R. Gordon
New York Times Service
WASHINGTON — President George Bush confirmed Friday that he had decided to support a ban on Serbian combat flights over Bosnia-Herzegovina.

The issue of prohibiting combat flights over Bosnia has been strenuously debated within the administration, with General Colin L. Powell, the chairman of the Joint Chiefs of Staff, publicly urging caution, and State Department and White House officials stressing the need for action.

In U.K., 'German' Opens Old Wounds

By William E. Schmidt
New York Times Service
LONDON — It has been half a century since World War II, but for some the memories are as jagged and unforgiving as broken glass. Among the tangled streets and walk-up flats of East London, the mere mention of Germany can still incite anger and suspicion and argument.

"The Germans are trying to do the same thing now they did back then — take us over," Frank Galea, 67, said as he stood alongside an East End curb, across the street from a housing block that took a direct hit in 1945 from a German V-2 rocket. "I don't trust them."

Standing beside him, Lawrence Dimech, 32, shook his head and laughed. "You old guys still want to fight the war," said Mr. Dimech, who works in a nearby second-hand shop. "The Germans nowadays are just like you and me. Tell me, what have you got against the Germans?"

Mr. Galea stared hard at the younger man. "I fought against them," he said. "And you didn't."

A lot of the old, dark emotions are bubbling to the surface in Britain again, a bitter stew of myth and fear and memory that has been rekindled in recent weeks, fueled by anti-German insults from the tabloid press and injudicious remarks by skeptics among

Prime Minister John Major's Conservative Party.

Contending that Germany is again out to dominate Europe, a half-century after it lost the war, the critics are adding fresh strain to German-British relations, at their lowest point in recent memory.

In an effort to defuse growing rancor between the two nations, Mr. Major sought peace on Thursday.

"I think it is time to draw a line underneath the war of words with Germany," he said, only two days after Sir Teddy Taylor, a member of Mr. Major's party, declared that the "Germans are getting too big for their jack-boots."

The mood has been fed by a mix of factors, not least Britain's own doubt and wounded pride about its place in a new Europe where it is Bonn, and not London, that will call the tune.

The brash tabloid newspapers here have fed the flames of anti-German sentiment, writing about what they describe as German gloating over Britain's currency problems.

The Sun, for example, published a recent cartoon showing Mr. Major as Neville Chamberlain coming back from his fateful meeting with Hitler. He was pictured holding the Treaty on European Union in his hand as he says, "I have, here, a piece of paper signed by

Herr Kohl. . . . Behind him, Chancellor Helmut Kohl stands next to a V-2.

This week a senior Western diplomat based here described the rising anti-German feeling in Britain as troubling. "Even after 40 years, it's worrying that this stuff is not very far below the surface," he said.

Many of the residents these days in the East End neighborhoods that bore the brunt of German bombing are immigrants, mostly Pakistanis and Bengalis.

But among the poor housing projects, there are still many older people who remember the war and, in particular, the V-2.

On March 25, 1945, only a few weeks before the Germans surrendered, a V-2 dropped onto Higham Mansion, a public housing project in London, killing 134 men, women and children.

"It is not water under the bridge, it is not," said Don Beckett, 72, a pensioner who lost his mother and six other members of his family in the attack. "I will not forgive the Germans. I will never trust the Germans."

Memories of the day still bring tears to Mr. Beckett, who lives in a building adjacent to the site where the missile struck.

Friends listen and nod sympathetically about his pain. "I know there are a lot of people who will never forgive," said Dorothy Cornes, who lives nearby. "But we can't go on like that. There's good and bad on all sides."

Helmut Kohl and the Vanished Smile

By Marc Fisher
Washington Post Service
BONN — There is a smile that stretches across Chancellor Helmut Kohl's face in moments of triumph, a great, involuntary grin that bears no resemblance to the tight, practiced smile flashed by politicians worldwide.

It is a child's smile, honest, infectious and pure, and Mr. Kohl has had more reason than most world leaders to show it. It was there in Dresden in December 1989 when he stood before 100,000 East Germans shouting his name and begging for shelter from the cold, dying winds of communism.

It was there when he returned from the Soviet Union with Mikhail S. Gorbachev's acquiescence to German reunification, and in October 1990, when the first all-German parliament since World War II assembled in Berlin's Reichstag with Mr. Kohl as chancellor.

But the smile has not been seen for months now. Germany is mired in crisis. Mr. Kohl faces severe budget problems as he tries to absorb Eastern Germany while keeping a pledge of no new taxes.

As unemployment rises in the East and the West worries about declining affluence, the psychological gap between the two seems deeper than ever.

Add creeping recession, mounting unemployment in the East, a rapidly deteriorating outlook for Mr. Kohl's longtime dream of European unity, a massive influx of refugees, and a frightening rise in nationalist violence against foreigners, and the grimace on the face of the chancellor seems justified.

On Thursday, two days before the second anniversary of German reunification, Mr. Kohl put aside his troubles and listened to speeches celebrating his 10 years in office.

Leaders of his Christian Democratic Party and its coalition partners praised him for laying the groundwork for German unification. They painted a portrait of Mr. Kohl as a clumsy but effective bulldog who has his party wrapped around his finger.

"They hit him and hit him and hit him, and the guy stands and stands and stands," said Wolfgang Schluble, the party's parliamentary leader.

Mr. Kohl has never been popular among

Germany, not even at the height of the historic events after the fall of the Berlin Wall. In the first all-German elections, held eight weeks after unification in 1990, he kept his coalition government in office but led his party to its second-worst showing ever.

Now, with nearly one in five Germans voting right parties, Mr. Kohl is less popular than ever. A survey last week reported that 75 percent of Germans say the government is doing a bad job — a record figure.

In Eastern Germany, where Mr. Kohl won overwhelming support in 1990 from a grateful electorate, the number of voters who say they have a good opinion of the market economy has plummeted from 77 percent in early 1990 to 44 percent this summer.

Despite his political skill, Mr. Kohl has been unable to assemble parliamentary support for his plans to reduce the number of foreign refugees coming in to or expand the role of the German military.

In recent weeks, he has come under fire for failing to make a gesture in response to nationalist violence. Although his staff has pushed him to visit asylum-seekers or the former concentration camp of Sachsenhausen, damaged in an arson attack, Mr. Kohl has not.

"I don't understand," Mr. Teitschik said. "I would have given him the same advice. Maybe he is afraid to spark new problems. He can be stubborn. In 1990, I couldn't understand why he was reluctant for so long to take the step he finally did and guarantee the German-Polish border. But he had a reason: He is always careful not to exclude powerful minorities."

In the Polish border case, he was appealing to nationalist German exiles from what is now Poland. In the current neo-Nazi violence, he seeks to appeal to his party's right wing, trying to prevent those voters from fleeing to extremist parties.

A senior aide said Mr. Kohl has resisted any gesture of solidarity with frightened foreigners because "it's not his style to act symbolically. We want him to do more of that, but he doesn't like it. Because of our history, he fears stirring emotions. He likes to win by argument."

10 Germans Get Suspended Terms In Hostel Attack

Reuters
BERLIN — Ten German rightists have been given suspended sentences for burning down a hostel for foreign asylum-seekers last year, court officials said Friday.

The August 1991 attack by a club-wielding crowd in the Eastern town of Schwarze Pumpe helped unleash a wave of neo-Nazi xenophobic violence that has plagued unified Germany.

A Cottbus regional court official said the 10 were convicted of disturbing the peace. They received prison terms of 9 to 22 months, suspended because they were minors at the time. Each will have to perform 60 to 100 hours of unpaid community work.

Eight other attackers got suspended sentences two weeks ago.

Rightists stormed the Schwarze Pumpe hostel in August 1991, ransacked the living quarters, beat up East European and Third World occupants and then set fire to the building. Residents managed to flee without serious injury.

WORLD BRIEFS

Abkhazians Drive Foes Out of City

TBILISI, Georgia (AP) — Separatists drove Georgian government forces out of the Black Sea resort city of Gagra on Friday in one of the biggest victories for their independence campaign.

The fighters in the tiny region of Abkhazia, on Georgia's western coast, have been fighting republic government troops for months, in what has become one of the bloodiest ethnic battles in the former Soviet Union.

Fierce fighting on Friday killed at least seven Georgian troops and left 74 wounded, the Interfax news agency reported. "The past 24 hours have been the most difficult period since the conflict began," said a spokesman at the Georgian military commandant's office in Gagra, a major Abkhazian town, Interfax reported.

Vice President Takes Over in Brazil

BRASILIA (WP) — Vice President Itamar Franco took over as acting president of Brazil on Friday in a peaceful, democratic transfer of power as Fernando Collor de Mello, impeached by the Congress for corruption, was formally suspended from the office.

The calm succession to Mr. Franco, Brazil's 37th president in 102 years as a republic, marked a break with four decades of traumatic presidential changes. Mr. Franco promised an honest administration that would ease the burden on working Brazilians of punishing inflation and recession. Offering "kindness, intelligence and humility," Mr. Franco said, "The nation can be sure there will be no corrupt officials in this government."

Mr. Collor, suspended for 180 days, departed claiming, "At no time did I tarnish the dignity of my office." He intends to retain the title of president while he is tried on corruption charges by the Senate. It is widely believed, however, that he will never return to power during the remaining 27 months of his term.

Bush Approves Supercollider Funds

WASHINGTON (Reuters) — President George Bush signed a bill Friday halting U.S. nuclear weapons tests in order to get financing for a supercollider project that would create jobs in his adopted state of Texas.

But he said he hoped that, through subsequent legislation, the United States could carry out "a modest number of necessary underground nuclear tests."

The bill appropriates \$22 billion for federal energy and waste projects in fiscal 1993. Mr. Bush welcomed \$517 million of the total for the supercollider, which he called "one of the greatest adventures in human knowledge" and would be the world's largest scientific device. It would allow scientists to stage collisions of subatomic particles in hopes of discovering the tiniest building blocks of the universe.

Centrist to Head the French Senate

PARIS (Combined Dispatches) — René Monory, a centrist politician, was elected president of the French Senate on Friday after his main opponent, Charles Fauriol, a strong opponent of the Maastricht treaty, dropped out of the contest.

Mr. Monory, a member of the opposition Union for French Democracy, received 200 out of a possible 320 votes in a second round of polling. He succeeds Alain Pons, 83, who held the post since 1968. Mr. Monory was minister of industry, trade and crafts in the second government of Raymond Barre in 1977. Mr. Barre later made him minister of the economy from 1978 until 1981.

The Senate president's main prerogative is to act as interim head of state if the president dies in office, resigns or is unable to fulfill his duties. The election gained in importance after the disclosure that President François Mitterrand, 76 this month, has prostate cancer. His term runs until 1995.

(AFP, Reuters)

For the Record

President Leonid Kravchuk of the Ukraine named a conservative economist, Valentyn Simonenko, to take over as acting prime minister Friday, a day after parliament fired the entire cabinet for failing to deal with an economic crisis. Mr. Simonenko, the president's leading economic adviser, was put in charge for a 10-day interim period, after which Mr. Kravchuk must nominate a permanent prime minister. (Reuters)

TRAVEL UPDATE

Notre Dame cathedral in Paris will be shut to visitors for 90 minutes every lunchtime, except Sundays, from Oct. 5 to Nov. 30 to allow organizers to work in silence. Officials said restoration work, which started 30 months ago, was in its last phase and the organ would be played again on Sunday Mass on Dec. 6.

Corsica will levy a 60-franc (\$12.50) tax on all nonresidents traveling through Corsica, officials said Friday in Ajaccio. Revenue is expected to be around 70 million francs a year and will be used to rehabilitate sites threatened by the construction of tourist complexes. (AFP)

The Queen Elizabeth II was heading back to Southampton from Hamburg after repairs to its hull, damaged when it ran aground on rocks off Boston in August, shipyard officials said. The cost of the repairs has been put at \$35 million. (AFP)

The South African airline Flitstar will launch a weekly flight Saturday between South Africa and Bahrain, restoring direct links broken off by Gulf states 20 years ago, the Gulf news agency GNA reported. (AFP)

A Kashmiri rebel group suspended a ban on foreign tourists that was to have taken effect Friday. The Muslim separatist group, Mujahidin Party, said it was reconsidering the ban because of appeals from the people. It had asserted that Israeli intelligence agents were enticing Kashmiri disguised as European and American tourists and helping Indian security forces put down the separatist insurgency. (Reuters)

Mayflower Hotel guests in Washington have awakened in recent mornings to the sound of blaring balloons manned by cooks, waiters and bellmen angry about proposed new work rules and an end to free beer for the cooks, who now are entitled to three beers per shift. (Reuters)

The Weather



Region	City	Today	Tomorrow	Day After	
North America	Albuquerque	59/73	59/73	59/73	
	Anchorage	19/31	19/31	19/31	
	Atlanta	59/73	59/73	59/73	
	Boston	59/73	59/73	59/73	
	Chicago	59/73	59/73	59/73	
	Denver	59/73	59/73	59/73	
	Detroit	59/73	59/73	59/73	
	Houston	59/73	59/73	59/73	
	Los Angeles	59/73	59/73	59/73	
	London	59/73	59/73	59/73	
Europe	Amsterdam	59/73	59/73	59/73	
	Berlin	59/73	59/73	59/73	
	Brussels	59/73	59/73	59/73	
	Frankfurt	59/73	59/73	59/73	
	Geneva	59/73	59/73	59/73	
	London	59/73	59/73	59/73	
	Madrid	59/73	59/73	59/73	
	Moscow	59/73	59/73	59/73	
	Paris	59/73	59/73	59/73	
	Rome	59/73	59/73	59/73	
Asia	Bangkok	59/73	59/73	59/73	
	Beijing	59/73	59/73	59/73	
	Hong Kong	59/73	59/73	59/73	
	New Delhi	59/73	59/73	59/73	
	Seoul	59/73	59/73	59/73	
	Singapore	59/73	59/73	59/73	
	Tokyo	59/73	59/73	59/73	
	Africa	Algiers	59/73	59/73	59/73
		Cairo	59/73	59/73	59/73
		Johannesburg	59/73	59/73	59/73
Nairobi		59/73	59/73	59/73	
Accra		59/73	59/73	59/73	
Abuja		59/73	59/73	59/73	
Harare		59/73	59/73	59/73	
Lagos		59/73	59/73	59/73	
Maputo		59/73	59/73	59/73	
Windhoek		59/73	59/73	59/73	
Oceania	Auckland	59/73	59/73	59/73	
	Sydney	59/73	59/73	59/73	
	Melbourne	59/73	59/73	59/73	
	Perth	59/73	59/73	59/73	
	Brisbane	59/73	59/73	59/73	
	Wellington	59/73	59/73	59/73	
	Dunedin	59/73	59/73	59/73	
	Auckland	59/73	59/73	59/73	
	Sydney	59/73	59/73	59/73	
	Melbourne	59/73	59/73	59/73	

كلدا من الاصل

CAMPAIGN '92 / RUNNING TO WIN?

ELECTION NOTES

Bush Camp Acknowledges Ad is Debatable

WASHINGTON — President George Bush has begun broadcasting an advertisement asserting that his opponent, Governor Bill Clinton of Arkansas, would raise taxes on middle-class workers, but campaign officials acknowledged that the claims rested on a series of disputed assumptions.

Pressed about the advertisement's contention that a Clinton administration would increase taxes on some middle-class individuals by more than \$2,000 a year, a senior Bush campaign adviser, Charles Black, said the ad used the word "could."

Mr. Clinton has proposed raising taxes on individuals earning \$150,000 or more and various business taxes, as well as spending cuts, to pay for his domestic proposals.

"Based on what he presents in his plan," Mr. Black said, the ad "is entirely logical." But the 30-second commercial, which flashes specific tax increases — such as \$2,072 — under pictures of a steamfitter, scientist and other workers, conveys the impression that the figures are part of Mr. Clinton's proposal.

Mr. Clinton often brushes aside Republican attacks with a light putdown, but not the new ad. He is trying to crush it at every campaign stop.

"Mr. Bush, you sucker punched us once, and we're not falling for it again," he said in Toledo, Ohio, urging a crowd of supporters outside an unemployment office to reject it as "blatantly false."

"It's a pathetic, desperate move," Mr. Clinton said. "He's the one that raised all the taxes on the middle class, not me." (NFT)

A Contentious Reunion for Perot and Press

DALLAS — In many ways Ross Perot's eagerly anticipated news conference to announce his candidacy was a microcosm of his unorthodox campaign. It was tense, at times contradictory, a bit trite, adversarial and in two parts.

After making his announcement that he would run, Mr. Perot turned the proceedings over to the national director of his volunteer organization, Orson Swindle, and abruptly left. But 15 minutes later, Mr. Perot strode back onstage.

He declined to answer some fairly standard questions about how he would run his campaign, such as whether he would make personal appearances or merely campaign through television. "If I wanted a basketball team, and you owned a basketball team, you might ask me my strategy," he said, "but would you expect me to tell you my strategy?"

Even asking Mr. Perot to talk about the issues seemed a Herculean task. Asked about accusations from the other campaigns that his economic program — which calls for a gasoline tax and increased taxes on some Social Security benefits — too harshly targets the middle class, Mr. Perot affixed his questioner with a steely gaze.

"You'd expect your opponents to distort, twist and present; I won't dignify that answer with a comment," he said, obviously meaning he would not dignify the question with a response. (NFT)

Perot Fan Gets Word Out but Misses Picture

NEW YORK — When Ross Perot held up a snapshot of 9-year-old Adriane Caggiano on live television, she missed it. The girl from Augusta, Kansas, said she had run to the kitchen to tell her mother, "He's going to run!"

In Mr. Perot's announcement of his return to the presidential race, he read a letter the fifth-grader had written three weeks ago urging him to run again.

"I can tell Ross Perot is real nice and he's telling the truth," she said. "Really, he doesn't care if he's the president or not. When George Bush talks, he uses his hands an awful lot. And Bill Clinton — I don't know — he just sounds like he's getting his ideas from other people." (NFT)

Gore's Colleagues Hit Hard at Quayle's IQ

WASHINGTON — Senator Al Gore never impugns Dan Quayle's intelligence on the campaign trail, but he creates voter sympathy for the vice president. But other Democratic congressmen are more than happy to sling the mud for the Democratic vice presidential nominee.

When Representative Thomas C. Sawyer of Ohio introduced Mr. Gore in Akron, Ohio, he told the crowd: "Bill Clinton chose a man that he saw as his intellectual equal. That's the good news. The bad news is that George Bush may have done the very same thing." (NFT)

Quote-Unquote

Ross Perot Jr. asked how his father planned to proceed with what the elder Perot said would be a serious campaign focusing on the issues: "Nothing's organized. It's all happening so fast." (AP)

Clinton Calls For Perot, Bad in Spotlight but Worse Out of It

By Michael Kelly
New York Times Service

WASHINGTON — What makes Ross run? Fundamentally, the answer does not seem to be the reason most people seek office, to win it. Rather, the point is to gain attention.

"It has been clear from the beginning that Ross Perot never had any great desire to be president, or even really to run for the presidency," said Thomas D. Barr, a New York lawyer who is a close and long-time adviser to the Texas tycoon. "Saying he would on the 'Larry King Live' show was the worst mistake of his life."

In Mr. Barr's view, Mr. Perot was driven to enter and re-enter a race "that got away from him" by a desire to focus the national debate on the issues he believes important, and in a manner he believes correct.

"I think that to move the dialogue is the whole point of the exercise at this juncture," Mr. Barr said in a telephone interview. "It was always the whole point of the exercise, even at the beginning."

Mr. Barr is a friend, and his view of Mr. Perot's motivation is a positive one. Critics of the candidate would agree that he is driven by a need to be seen as a savior of the exercise, even at the beginning.

But the attention grew increasingly critical, and when Mr. Perot suddenly quit the race on July 16, saying "it would be disruptive to the country" for him to continue, it turned savage. Then, worse, it disappeared.

By threatening to re-enter the race, and now fulfilling that threat, Mr. Perot has won an immediate and extraordinary — some say inappropriate — level of attention, both from the press and from the political establishment.

"His economic plan has been on the best-seller list for weeks, but the first time I saw anybody write about it was on Monday," Mr. Barr said. If the attention had risen to a more serious level, he added, Mr. Perot would have stayed out of the race.

Some of Mr. Perot's associates and friends say he is driven as well by a desire to rid himself of the hated and unexpected label of "quitter," which was widely applied to him after he bailed out of the race in the middle of the Democratic National Convention.

"Ross got out of the race because he had lost control of it," said one political adviser, who spoke on condition of anonymity. "He saw the polls dropping, the money mounting, the continuing stories about 'Inspector' Perot. He hated all that, so he quit."

"But he never expected to be attacked as a quitter," the adviser continued. He isn't a quitter; he's a very dogged, bulldog kind of guy. And to be tagged with this label, to be called 'The Yellow Ross of Texas' — that really killed him. And one reason I think he's back in is simply to prove this isn't true, to revive his name."

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Warrior, Philosopher, Professor, and Now: Perot's Running Mate

By John E. Yang
Washington Post Service

STANFORD, California — Before James Bond Stockdale headed for Dallas to join Ross Perot as his running mate, he paraphrased the words of Epictetus, the Greek Stoic philosopher: "Take note of everything but don't be amazed by anything."

Martin Anderson, a Hoover Institution colleague and former adviser to Ronald Reagan, put it more simply. "Have fun," he told Mr. Stockdale. "It's going to be a wild time."

Running for office "was certainly not a plan and not even a dream," Mr. Stockdale said in an interview this past week. "I'm not overwhelmed, though. I have a lot of confidence in myself."

This will be but one more adventure for a man whose 68 years have taken him from an Illinois farm to the U.S. Naval Academy, from the skies above North Vietnam to nearly eight years in a Hanoi prison, and now from the halls of academe into a presidential campaign.

A senior research fellow at the Hoover Institution at Stanford University, Mr. Stockdale is an appropriately unconventional running mate for Mr. Perot. A retired vice admiral who was awarded the Medal of Honor, he is interrupting work on a book about Epictetus. A former test pilot and college president and teacher, he peppers his conversation with references to Socrates and Clausewitz, as well as honey aphorisms.

He credits Stoic philosophy for sustaining him in 2,714 days of torture, harassment and humiliation in Hanof's Hoa Lo prison, where he spent four years in solitary confinement. His friends include the philosopher Joseph G. Brennan and his Annapolis classmates William J. Crowe, former Joint Chiefs of Staff chairman, and Stansfield A. Turner, former director of central intelligence.

This unlikely candidate is neither a politician nor political. "I've always been just a knee-jerk Republican. It seemed almost part of decency," he said with a laugh. But joining the Perot effort "has liberated me. I'm open to suggestion. My political views are more and more pragmatic."

Mr. Stockdale also hints that he hopes to assuage past slights — a brief, stormy tenure as president of The Citadel military college in Charleston, South Carolina, and cancellation of a Stanford philosophy course that he co-taught before faculty members challenged his credentials.

"Maybe an old guy like me who has been a warrior, a philosopher and test pilot and a few other things has enough wisdom to run the place after all," he said. "At least he shouldn't be ridiculed and set aside."

Vietnam was "the defining chapter of my life," said Mr. Stockdale, a small, roddy-faced man with unruly white hair.

On Sept. 9, 1965, he was a wing commander flying off the carrier Oriskany against targets between Tranh Hoa and Vinh — "a milk run," he said. His A-4 fighter-bomber was hit by anti-aircraft fire and he ejected over a small coastal village where he was greeted by "the town roughnecks." He was beaten and his left knee was broken by the mob. Broken again

in prison, the knee still does not bend.

In prison, he said, he recalled a course he had taken three years earlier as a Stanford graduate student under Philip Rhandlander, the philosopher who died in 1987. The key lesson, Mr. Stockdale

said, was that man must reconcile himself to a life in which evil often is rewarded while virtue is punished.

"The central problem in prison was to build a civilization in which life made sense, and that was the central problem in his course," Mr. Stockdale said. "There was a whole discipline built to deal with such circumstances, and that was Stoicism." Later, he and his former professor taught a Stanford philosophy course called "Moral Dilemmas of War and Peace."

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PEROT: Return to Campaign is Political Aftershock

(Continued from page 1)

voters around the country in recent weeks, doubt his staying power.

Perhaps, with the help of the sort of television blitz that his millions of dollars put easily within his reach, Mr. Perot can once again make himself seem an attractive alternative to a pair of major-party candidates with substantial, well-advertised electoral liabilities themselves.

He retains valuable political assets, notably the American fascination with billionaires who thrust themselves into the spotlight, especially self-made ones. Moreover, even though he has said little lately about how he would change things, he has unquestionably touched a nerve with his consistent insistence that Washington has failed to come to grips with dire problems.

Yet serious questions remain about how the public will react to further exposure to Mr. Perot's prickly personality — to his thin-skinned reaction to criticism of any kind, his resentment of any inquiry into his family or his past personal or business conduct, and his inexperience in the give-and-take of government, to say nothing of his innocence of the details of domestic and foreign policy.

Edward J. Rollins, the political consultant who managed the Perot candidacy for a time, has written that the independent candidate lacks the temperament needed in a president. He left the campaign early. But a similar judgment came from John P. White, who stayed on to draft an economic plan and returned only Wednesday to his job at Eastman Kodak Co.

A man famous hereabouts for an ego as big as Lyndon B. Johnson's, Mr. Perot showed an unawareness of how many others view him when he asserted that the American public was tired of "ego-driven, power-hungry people."

Having renounced professional managers after an unhappy experience this summer, it remains to be seen whether Mr. Perot will use the tools — polling services, television production skills, tactical counseling — that any candidate, especially a neophyte, needs to make the most of his appeal.

The prevailing view in the political community, which has evident biases against someone so scornful of it, is that Mr. Perot will be lucky to finish with as much as 10 percent of the vote nationally and is highly unlikely to win a single state.

On a state-by-state basis, it appears likely that Mr. Perot might help Mr. Clinton in Texas and Florida, two states that Mr. Bush needs to balance expected Clinton victories in California and New York, the other two Big Four electoral-college powerhouses. Mr. Bush might be helped in some close northern states, such as Ohio and Michigan, but the electoral arithmetic suggests strongly that without Florida and Texas, that would not be enough.

Mr. Clinton's team preferred to have the final two weeks before the election free for campaigning and to allow Mr. Clinton to deliver his own message without having to contend with some unexpected charge or gaffe from a final debate.

"Not having late debates was the most important priority of the Clinton campaign," a Democratic source said.

With Mr. Perot's re-entry providing new interest in the race, Republicans believe the compressed schedule of debates could help Mr. Bush in his comeback bid by concentrating public attention on the contest.

The Republicans believe that because of the weak economy, most voters have so far made the year a referendum on Mr. Bush's record, but with a series of debates in such a short time, the focus will shift from Mr. Bush's record to the differences between him and Mr. Clinton, a comparison Republicans hope will work to the president's benefit.

AID Director Under Attack for Expense Padding

By Al Kamen
Washington Post Service

WASHINGTON — A House committee chairman has urged President George Bush to dismiss Ronald W. Roskens, director of the Agency for International Development, on the ground that he "abused his public office for private gain."

Representative John Conyers Jr., Democrat of Michigan and chairman of the Government Operations Committee, which oversees the beleaguered agency, said an investigation conducted by the committee staff found that Mr. Roskens had billed the government for travel to visit family and friends and to take vacations.

Mr. Conyers, in a statement inserted in the Congressional Record, said Mr. Roskens also accepted gratuities from private organizations doing business with AID. The committee investigation also found that Mr. Roskens submitted a claim to AID for \$1,027 hotel suite in Geneva that had been paid for by a private organization to which he formerly belonged.

Mr. Conyers said he intended to issue the 107-page critique as a staff report, which does not require committee approval.

AID issued a statement Thursday condemning the report, described as "an act of clear partisan bias" in a political season. AID noted that the full committee had refused to adopt the report. Mr. Roskens has said he did not knowingly commit any ethical or legal violations.

The committee's ranking Republican, Representative Frank Horton of New York, strongly opposed the report in a minority staff memo. Mr. Horton objected that "not a single subcommittee hearing has been held on the issues."

A draft report, obtained by The Washington Post, said Mr. Roskens violated law and ethics codes by taking thousands of dollars from outside organizations, some of which do business with AID.

The report accused Mr. Roskens, former president of the University of Nebraska and AID director since March 1990, of taking private trips at government expense and "manipulating official travel for his private benefit by arranging pretexts of government business."

The alleged improprieties occurred in 1990 and Mr. Roskens has since repaid more than \$4,500 in expenditures. After the criticisms, he "significantly curtailed travel outside Washington, D.C., in 1991," the report said, and no longer accepted travel expenses from outside sources.

Last summer, Mr. Roskens named a full-time ethics officer at AID, which the report said had "more high-ranking employees convicted of federal crimes during the past two years than any other agency or department of the federal government."

Canadians will vote Oct. 26 in a national referendum on a constitutional accord aimed at giving French-speaking Quebec enough political power to stop it from leaving the confederation. The province views itself as a distinct society requiring special protection.

had deal for the Canada we know," he said.

"A 'yes' vote would lead to a new Canada," he said, "a weak and crippled Canada."

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Trudeau Urges 'No' Vote on Quebec Issue

By Al Kamen
Washington Post Service

MONTREAL — Former Prime Minister Pierre Elliott Trudeau said an accord aimed at meeting Quebec's demands for more autonomy was a mess and has called for a "no" vote in a referendum on the issue.

"It is a big mess. And such a mess merits a massive 'no,'" Mr. Trudeau told a gathering of 400 people Thursday. Mr. Trudeau rarely makes public appearances and his comments had been eagerly awaited.

He said the unity accord agreed to by federal and provincial leaders in August would lead to a weaker country ruled by a hierarchy, with Quebecers at the top of the heap.

"This is a crippling blow to the Canada we know and love," Mr. Trudeau, 72, told reporters. "I would be remiss if I didn't point out to Canadians that this is a very

such retailers are going back to what they call "everyday low prices," and holding only two sales a year, in January and July.

"It makes much more sense," said Harvey A. Weinberg, head of HSSA Group Ltd., a retail investment firm, "to price a product for what it's worth instead of marking it up to mark it down."

The strategy has to be long-term, however, warning customers away from the expectation of frequent sales.

Short Takes

The U.S. Marine Corps has threatened legal action over an AIDS prevention magazine depicting two bare-chested men, one of them with the Marine's eagle, globe and anchor emblem tattooed on his bicep, locked in romantic embrace. The San Francisco AIDS Foundation is standing firm. The ad is aimed at persuading sexually active people to get tested for the AIDS

virus. A Marine spokesman said use of the emblem "could create the inference that the Marine Corps is somehow partially responsible for the spread of AIDS" and "could be viewed as actual approval of homosexuality in the Marine Corps."

More than two out of five people approve of manipulating human genes to improve the physical and mental characteristics of children if that becomes possible, according to a survey sponsored by the March of Dimes, which finances genetic research. The survey is believed to be the first to gauge public opinion about gene therapy. But the survey sponsor condemned the idea. "The March of Dimes opposes the use of gene therapy for non-therapeutic purposes," said Dr. Michael Katz, research chief for the survey sponsor.

Arthur Higbee

Arthur Higbee

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Arthur Higbee

DEBATES: Accord, at Last

INTERNATIONAL **Herald Tribune**

Published With The New York Times and The Washington Post

One Thing Perot Can Do

Heis through with the teasing but not the trifling. At the "request" of what is left of his once-impressive volunteer army, Ross Perot has resumed his presidential race. His chances of winning are much less than when he quit in July. His only dim practical hope is to confuse and distract the contest. But there is one important way in which Mr. Perot's quixotic candidacy can serve constructive purposes.

His economic program, published after his withdrawal, contains many bold and sensible ideas. If he is now willing to carry these ideas to the public and defend them in detail, he will sharpen the debate and do much to educate Americans. But that will require a candor and courage he has so far failed to display.

He's 'Not Welcome Here'

Most spectators this year have probably been enjoying the pitched intellectual and historical battles over Columbus and the meaning of the quincentenary. But things changed abruptly in Santo Domingo, when a recent anti-Columbus demonstration ended in the shooting death of a lawyer, Rafael Efrain Ortiz, by plainclothes policemen. Three days later, a 17-year-old was killed in riots that had begun at Mr. Ortiz's funeral.

Public opposition has focused on the cost of the projected celebrations and the light-house of a long wall to block adjacent poor districts from tourists' view. Dissenters said the funds should have been used for badly needed public housing, education and sanitation. Cost estimates went as high as \$100 million for the lighthouse, which is half a mile long (0.8 kilometers), 10 stories high, and projects a cross-shaped beam that can be seen 150 miles off in Puerto Rico.

A Worthy Reform Dies

The expiring Independent Counsel Act was buried on the floor of the U.S. Senate in the dead of a recent evening when it would attract little attention. Proximate cause of death was the threat by 28 Republican senators to filibuster a bill reauthorizing the law. President George Bush was ready to kill it with a veto if the Congress was bold enough to act.

deplored the law as usurping executive powers, yet found it useful in clearing cabinet officials, including Attorney General Edwin Meese, who came under suspicion. Mr. Meese personally requested a special Iran-contra prosecution, triggering a lawrence Walsh's investigation of that scandal, because incumbent officials had an obvious conflict of interest. The Supreme Court upheld the law's constitutionality, 7-1.

Other Comment

A Troubling Candidacy
The Perot candidacy now becomes the wild card in the 1992 campaign. When Mr. Perot suspended his campaign in July his standing in the polls had slid to below 10 percent. That rating should climb on his re-entry, if only briefly, though it seems unlikely that come Nov. 3 he will do much better than third-party candidates have usually done. But in some key states — Texas and Ohio are most often mentioned — Mr. Perot could tip the balance. That would affect the electoral vote, conceivably, it could affect the election. In the end, Mr. Perot's chief political significance may be not as a doer or an inspirer, but as a spoiler.

revelations that ought to disturb thoughtful voters. He seems to have a chilling zeal for covert investigation. He will probably continue to hold himself aloof from the usual and sometimes prickly give and take of political campaigning. Look for him to rely on expensive TV ads and friendly interviewers. That is too bad, not least because Mr. Perot does have some interesting ideas — most prominently his tough plan to reduce the budget deficit. As with all politics, the presidency requires an ability to recognize possible merit in competing interests and with it a readiness to compromise. Mr. Perot's self-confidence and assertiveness are in many ways admirable. It is the rigidity underlying them that many, including this newspaper, find so troubling.

Ross Perot, Dangerous Distraction

By Anthony Lewis

BOSTON — Orwell might have written the script. A billionaire hires people to demand that he run for president, calls them "volunteers" — then says he must listen to them as the voice of the people. Why are we paying any attention to Ross Perot? That is the puzzling question. Here is a man known to be a qualified for the presidency as a statesman. Yet the press has hung on him, dramatizing every odd and wink leading up to the announcement that he is back in the race.



For a Concerned Voter, The New Man Says It All

By Charles Donnelly

NEW YORK — Whether or not Ross Perot is elected president is not as important as the fact that he continues to demand that the U.S. political system focus on and solve crucial problems. The election issues fall into three priorities: the debt, what the deficit means and how to stop deficit spending. These in turn will determine how Americans live and what priority they can give to other issues. You may think the deficit is being managed and that George Bush or Bill Clinton will solve the problem. Then why haven't they been working on it? Solving the deficit problem will require sacrifice — some sacrifice, if the issue is confronted now, or drastic sacrifice later. Americans' elected representatives believe the people are unwilling to sacrifice.

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The Hypocrisy of the Repubocrats Made Me Wince

By A. M. Rosenthal

NEW YORK — The banker at the New York dinner party had made a huge loan to a speculator who used the money to take over a fine American business, swiftly spinning the company into bankruptcy. I asked the banker how he could have made a loan that so quickly cost many workers their jobs. He said it had passed it up, some other bank would have made the loan, and the loan profit I asked him if that was the way he wanted to go on living his one life, he said no.

own than waving his paperback around on TV. When the going got tough, Mr. Perot got out. He dropped back in when it looked nice and easy. With only a few weeks left, he could not be pushed very hard on economics — nor on other plans he promised but never delivered. He announces that personal matters are beneath him so he will discuss only Real Issues. Then he ducks issue-questions. I love it. The Repubocrats — in Dallas nobody could tell the pilgrims apart — had come to know Mr. Perot. Before Dallas they asked, with that knowing nudge — what's his thing inside that man, anyway? But when he crooked his finger, they ran to Dallas, pumping up his cruel larceny to national drama. They all pretended he was still worthy of national trust.

said Mr. Perot was a team player and hinted he would be acceptable in a Clinton cabinet. Ross Perot? Wasn't he the player who walked off the field after the press called a strike or two on him during the early innings, smartly giving the finger to his team, umpires and audience? Cabinet? Al, say it isn't so. The worst part about that Dallas show is this: Hypocrisy is poison ivy — it rubs off on you. I was surprised that so many fine people of both parties made themselves part of it. I winced when I saw them standing around looking embarrassed after the closed sessions with the master and his disciples. But when I ran into one of them later and asked him how come he went, and he said, well, the party asked him, what could he do, all I did was nod, and say sure. The Dallas exhibition increases American political cynicism. And it makes both parties more vulnerable to that great team player when, soon enough, he sticks it to them again.

Helpful Interference: Peace Is Not Always Served

By Stephen S. Rosenfeld

WASHINGTON — A large part of global diplomacy has shifted from international conflicts to civil wars, and the diplomats are still catching up. Accommodated to dealing with states, schooled to avoid interfering in others' internal affairs, they are reaching for new ideas and structures to guide them through the maze. It is a race of chaos against civility, and to judge by the evidence in Yugoslavia, Somalia, Sudan and Iraq, chaos is winning.

conflict — 17 million pushed across borders and 23 million displaced within their homelands. In the old days noninterference in internal affairs was a Third World banner, the weak's defense against the strong. Now it is a barrier to international reason, and the Third World itself tries to tear it down. Cape Verde, a little African country, stirred the UN to take up Somalia. The cause of military intervention by the developed and formerly colonial powers, even by a great power, is now less apt to be rejected than to be championed by the victims of out-of-control internal strife and by governments that feel similarly vulnerable. Islamic countries lament the besting of the United States, after its eager surge against Muslim Iraq, to use force to help save Muslim Bosnia.

believe, it was valuable to establish civilians' right to receive assistance and the international community's right to provide it. But "at some points humanitarian values might have been better served by a cessation than by a continuation of relief assistance." They accept it as fair to ask in a given situation whether relief impedes or promotes peace. The Washington Post.

Aid can become loot, and local gunmen see peacekeepers as a threat.

doing of Soviet communism and Iraqi aggression, imagined that the general unraveling could be arrested and shaped into an American-led "new world order." The reality finds the United States limiting itself to cautious and mostly collective initiatives that are failing to stave off the emerging new world disorder. At the United Nations, the Security Council now spends most of its time on civil wars. The secretariat has what is in effect a new office for civil wars whose work is called "humanitarian diplomacy." It is run by a Swede, Jan Eliasson, who operates, warily, at the intersection of humanitarianism and security, relief and peacekeeping. The starting point is the 40 million people in flight from internal

ing in place procedures that will bring pressure and leverage to bear in the interests of those who suffer." This tendency builds on the human rights movement of the 1970s and the democracy movement of the 1980s. These nouth the view that leaders are accountable for mass hunger or abuse to their people or, if democracy is lacking, to an international standard. This is the logic that produced the United Nations' precedent-setting vote last year to regard suffering in a member nation — Iraq — as a threat to international peace and grounds for intervention. The trend is incomplete. Ask the Muslims of Bosnia, who are still suffering unspeakable "ethnic cleansing" at Serbian hands. Reserves are short. And this leads to tragic dilemmas — whom to save first? It also generates a certain envy by the peaceful poor of the war-torn poor. The latter, under the new dispensation, get to jump the line and make a first emergency call on the industrialized countries' funds and energies. Relief can actually spur violence. Keith Richburg of The Post cautions from Somalia. Aid becomes so much more loot. Local gunmen see peacekeepers as a threat to their dual role as looters and guards. Mr. Deng and Mr. Mincer of Brookings bravely penetrate the terminal ironies. They suggest that aid, by sustaining one side or the other, can make the conduct of war more sustainable even as it draws the parties into dialogue. In Sudan, they

1892: A Deluded Prince
VIENNA — A painful sensation is caused by the announcement that Prince Pedro of Coburg-Coburg, eldest son of Prince August, has become insane. During the absence of the rest of the family, Prince Pedro suddenly appeared this afternoon [Oct. 3] at one of the Palace windows and attempted to leap into the street. He was, however, prevented from carrying out his purpose by the servants of the palace, who were able to restrain him by force. Medical assistance was summoned and His Highness was tranquillized and taken to Doebbling Linautic Asylum. The Prince, who is only twenty-seven years of age, is under the delusion that he is the Emperor of Brazil. Hope was entertained of his recovery.

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What Would Von Braun Have Said?

By Wayne Biddle

WASHINGTON — After Adolf Hitler watched his first rocket-engine test, in March 1935, he raised a glass of mineral water and barked, "Es war doch gewondlich," which more or less meant, "That was something else!" His tour guide that day, a 27-year-old military researcher named Werner von Braun — Junker son, quintessential Aryan and rather crazed about space travel for a grown-up — spent several hours trying to explain the basics of rocketry to the unimpressed Fuhrer, who still did not feel the need for anything so futuristic in order to conquer Europe. When they met again four years later at Wolfeschanze, Hitler's headquarters, the Third Reich required a wonder weapon. Mr. von Braun brought along a model of a missile he was perfecting that could carry one ton of TNT across the English Channel. Hitler ordered 12,000 of them. About 6,000 V-2s were eventually built, at an average cost of \$18,000 each (some 20,000 slaves died to make this bargain rate possible). More than 500 hit London, killing more than 2,700 civilians. They did not save Hitler, of course, but they later guaranteed Werner von Braun's safe passage across the Atlantic, where he found wonder-weapon work again under the auspices of the U.S. Army. From then on, the nation's unblemished days were numbered. When marking the legacy of Mr. von Braun, as officials of the German government and aerospace industry hoped to do Saturday to celebrate the 50th anniversary of the V-2's first successful launch (under pressure, the government withdrew its support), historians fall into two groups: those who applaud him as a space pioneer and those who condemn him as a Nazi. The delicate fact that he was both has not tended to knit the two groups together.

During the glory days of the American space program, Mr. von Braun was such a celebrity that it may surprise many people to learn that he held the rank of colonel in the SS. The twin peaks of his career would seem to be mutually exclusive, yet he thrived until his death in 1977. Historians continue to plumb his innocence or guilt, just as they ponder whether the Manhattan Project's physicists, who created the atomic bomb, were sinners or sinners. By intellectual tradition, scientists are inclined to divorce their profession from whatever dark social forces surround it, though modern catastrophes must make this seem awfully naive to laymen. Mr. von Braun always maintained that the Wehrmacht was just a "golden cow" he had milked for the sake of scientific advancement, an evidently acceptable excuse to his American colleagues. He was fond of quoting Oswald Spengler, the Weimar-era reactionary historian who preached that "history knows only the success which turns the law of the strongest into the law of all."

This over-ambitious credo may explain the furor that arose in England as word spread of the V-2 commemoration, ultimately forcing the German government to cancel its participation. German nationalism is again causing anxiety in Europe, as neo-Nazi rioting aggravates relations already strained by cracks in the Maastricht treaty. Some Germans may welcome the idea of celebrating the V-2 as an expression of rejuvenation and confidence. Others may find it a well-meaning attempt to come to terms with the past. Many more may see it as simply tactless. But everyone must admit that planning a high-profile celebration of anything associated with Nazism would have been unthinkable a few years ago. There will no doubt be more, and Germany's neighbors will feel compelled to decide whether it is a sign of national health or sickness. As for Werner von Braun, perhaps he is trapped forever between Wolfeschanze and the moon, much like his homeland is caught between the past and the future.

The writer is preparing a biography of Mr. von Braun. He contributed this comment to The New York Times.

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IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1892: A Deluded Prince
1942: Laval's Conscript
1917: A New Candidate

كلنا من الشعب

Bill is Getting...
U.S. Protest...
Government...
Go...
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Moment of triumph: In front of the Reichstag in 1990, a young woman celebrates the reunification of Germany.

The Challenge of Unity: Germany's and Europe's

Since 1990, Europe has seen entire countries, political systems and economic communities emerge or disappear. To better understand the continent's fault lines, business and political leaders tend to track Germany's economic and social indicators more closely than those of other countries.

Two years after reunification, Germany remains very much in the international spotlight. This is not merely because of its often-exaggerated economic might — after all, Germany's GNP is much smaller than that of the United States or Japan — but also because of its role as a catalyst and participant in sever-

Years of prosperity put to good use

al ongoing transformations, some of which reach well beyond Germany's borders.

A transformation at home: At a cost of between 330 billion Deutsche marks and 370 billion DM (between \$234 billion and \$262 billion) in German public-sector funds, plus 251 billion DM in private-sector investment commitments, Eastern Germany has become the first of 23 countries and regions in Eastern and Central Europe to create the foundations of a market-oriented social democracy. But the widely-expected second "economic miracle" has failed to materialize, and Germans are hunkering down for a decade of halting growth in the former East Germany.

A transformation in the nations to the east of Germany: In October, 1990, the East was completing its political revolution and signing up Western help to bankroll its coming economic transmutation. The West, and especially Germany, whose ties to the region were augmented by Eastern Germany's economic bonds to its chief trading partners, respond-

ed with a rush of financial assistance and a marginal opening of its markets.

An impressive amount of money has gone east — and mostly remained there. Loans outstanding to Central and Eastern Europe made by Germany's private banks currently total some 57 billion DM. The former Soviet countries owe the German government a reported 60 billion DM. Expectations for the region have retreated from a grandiose vision of an East European version of the EC to the modest: no further spreading of ethnic conflict, no starvation in the Russian winter, no return to communism.

Germany itself has acknowledged that there is only so much it can do. Jürgen Mühlmann, vice chancellor and minister for economics, says in an interview: "In Eastern and Central Europe, the Federal Republic of Germany has acted on the principle of 'helping those who help themselves.' Germany has now reached the limits of what it can accomplish as a 'change agent' for the region."

A scaled-down transformation of Western Europe: After the Sept. 20 turmoil in the currency markets, the solid ranks of EC supporters in Germany were aghast at the thought of a weakening of the community's power to bind its now contending economies. But almost everyone welcomed the idea of a detailed cost-benefit auditing of the Commission's functions.

The main target of criticism was the EC's galloping budget, which has doubled over the last seven years to total 134.3 billion DM in 1992. Ger-

1990 GERMANY 1992 Two Years After

The United Stats of Germany

- Area: 356,967 square kilometers (70 percent in Western Germany).
- Population: 80.5 million, according to a 1992 estimate (of which 60 percent reside in Western Germany).
- Unemployment: 6 percent in Western Germany; 14.4 percent in Eastern Germany.
- Inflation: 2.5 percent.
- Economic Growth (estimated for 1992 and 1993): Germany as a whole: 3.4 percent in 1991; 1.24 percent for 1992; 2 percent for 1993. Growth in Eastern Germany should reach 3 percent in 1992 and 1993.
- Trade balance (January-June, 1992): +12.7 billion DM (\$9 billion).
- Current account balance (January-June, 1992): -25.4 billion DM.

many's share is 28 percent. An emerging consensus foresees a leaner EC heading toward a European economic union made up of only the "able and willing" countries.

A transformation of the land, with less and less space earmarked for military function: The one solid benefit of the start of the 1990s was the peace dividend in places ranging from San Diego to Vladivostok. No country had more military facilities and personnel per square kilometer than Germany; in no country will the space created by the departure of 1.2 million soldiers and the freeing of

Continued on Page 10

Departing Soldiers Leave Opportunities

The Germans call it simply "Konversion." The military bases and installations making up what were the front lines of the Cold War are becoming apartment complexes, transport centers, drug clinics and other facilities for civilians.

The conversion of the military bases involves the departure and retraining of over 1.2 million persons, the disposal of 300,000 tons of munitions and the restructuring and restoring of over 1,350 sites occupying 600,000 square hectares.

On November 9, 1989, the day the

of Konversion is bringing once-in-a-lifetime opportunities and knotty problems.

The departure of Allied forces is a blessing for such cities as Frankfurt, Munich, Nuremberg and Berlin. The 60,000 hectares of housing space coming on stream in metropolitan



Heading for plowshares: tanks in a scrapyard in Saxony.

Wall fell, there were 1.43 million soldiers in both Western and Eastern Germany, plus another 900,000 family members and civilian employees. Ten military forces occupied a total of more than 900,000 hectares, an expanse almost half the size of the Rhineland-Palatinate.

In both East and West, the process areas are being fought over by everyone from post office workers to students. The Federal Ministry for Economics estimates that as many as 3 million people can be housed on post-conversion sites.

Rural areas in Western Germany, on the other hand, are faced with the need to replace a principal employer.

Continued on Page 8

Symbol of hope: Chancellor Helmut Kohl (center) at the September opening of the ultra-modern Opel factory in Eisenach.

Adapting to the Market Tests the East's Skills

Over the last two years, social and economic systems on a West German level have been built up in Eastern Germany. What is still missing is fuel for the nascent society's economic motor — orders for its industrial sector.

The list of accomplishments in Eastern Germany over the past two years is long. At a cost of 330 billion Deutsche marks (\$234 billion) in transfer payments, Eastern Germany now has a system of social security, including medical insurance and treatment, which should be the envy of the United States.

It has air much cleaner than it had two years ago, water of known quality and a mail service that manages to deliver letters, unopened, in one to three days. In nearly all places in Eastern Germany, you can make an international call, buy pizza on weekends and choose among 10 quality newspapers and five tabloids.

Within two years, an entire generation of children has switched from *Staszkunde* (national political indoctrination) at East German high schools to *Erdkunde* (geography) at the local gymnasium. Nearly all graduates are studying at a university or participating in the country's

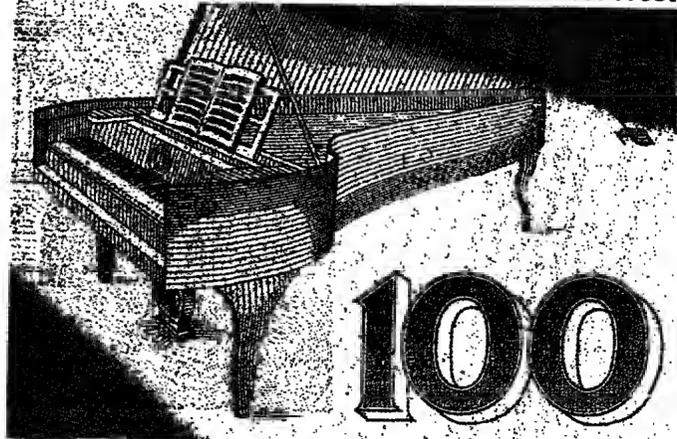
occupational training system. The region will soon have pothole-free four-lane highways and rail lines permitting travel at speeds higher than 60 kilometers an hour, once the last warning lights have been removed from its hundreds of construction sites.

Eastern Germany has a growing economy, with regional GDP projected to rise by 7 percent for the year. Tax revenues are expected to increase 18 percent in 1992. Two-thirds of the 5,700 retail and wholesale companies in the region report doing "good to excellent" business. Construction and the skilled trade sectors are experiencing a somewhat erratic boom.

Eastern Germany has also secured an unprecedented flood of investment — 100 billion DM for capital goods and facilities in this year alone, according to Cologne's an-

Continued on Page 11

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'New States' Attract Most German Tourists

Where Germans travel and why is of more than passing interest to hoteliers, finance ministers and chambers of commerce from Greece to Thailand.

Germans love to travel. This truism is confirmed by a glance around any tourist attraction and by the latest figures. Last year, 46 million Germans went on vacation, and 32 million of them went abroad, spending a total of 57 billion Deutsche marks (\$40.4 billion).

An enterprising resort wishing to increase its number of German visitors would do well to make sure that its lounge chairs are in good supply, its walkways well-cared for and its prices low. More than 75 percent of all Germans put "having a chance to relax" as their prime motive for trav-

eling, 82 percent plan on going for walks or short hikes during their vacations. For 51 percent of all travelers, the criteria for selecting a vacation destination were not natural or cultural attractions but comparatively inexpensive prices.

Germans spend 4 percent of their disposable incomes on travel — a figure exceeded only by the Dutch — so this criterion may seem a bit incongruous. It is, however, good news for Spain and Austria. For years it has been said that both of these perennial favorites would lose travel business because of their rising standards of living, but Spain is still ranked as being affordable by three-quarters of all Germans; Austria, by two-thirds. Fourteen million Germans plan to visit Austria within the next three years, 10.4 million Spain.

There is a new star on the German travel scene. After years of jockeying with Belgium and Portugal for position on the destination tables, Eastern Germany has now surpassed them. Some 12.4 million West Germans — joined by 8.4 million East Germans — report plans to spend the "most precious days of the year" (as vacation is referred to in Germany in the country's "new states" this year.



Tourists in the Spreewald.



Half-timbered beauty: the Wernigerode City Hall in Saxony-Anhalt.

Brandenburg's Title: 'Champion of Hope'

A list of the arrivals and departures at Brandenburg, the largest East German state, reads like a timetable for post-unification development in Germany.

The Soviet Army is exiting, turning over its former barracks and military exercise ranges to hundreds of fledgling business parks. Thousands of new companies are popping up in regions where centrally planned industrial and agricultural monocultures are disappearing. Every day, hundreds of thousands of East Europeans enter Brandenburg from Poland, with most leaving a few hours or days or weeks later.

Germany's federal government will move to Berlin, which is surrounded by the state of Branden-

burg, at some point in the immediate future. A "capital boom" has already descended upon the city, and then spread outward past the Berliner Ring beltway to the wide reaches of Brandenburg.

The state will probably merge with Berlin soon

Also on its way is some 24 billion Deutsche marks (\$17 billion) in private-sector investment commitments by such companies as Mercedes-Benz, Heidelberger Druckmaschinen and BASF. This is just part of the 70 billion DM allocated by Western Germany and international companies to Eastern Germany as a whole.

The question being debated throughout Germany is: when will this unprecedented flow of money begin to spin off viable products, secondary suppliers and new service sectors?

"Each of these large investments has its own schedule," says Walter Hirsche, Brandenburg's minister for economics, medium-sized companies and technology. As he points out, it takes time to build a hundred million or billion mark facility, of which there are a number already under construction in the state.

"Heidelberger Druckmaschinen's new facility will begin operations next year, for instance, as will many others. Some will start up in 1994," he adds.

The half-built warehouses and industrial complexes are only the visible vanguard of what is to come. About three quarters of all invest-

ments in Eastern Germany are still in the process of getting all necessary permits and approvals. All this occurred in less than two years. In this regard, Eastern Germany's states — and especially Brandenburg — are doing much better than their Western counterparts, where major projects often require decades to be realized.

Mr. Hirsche is a vociferous advocate of shortening the investment turnaround process even more. In his opinion, the relative scarcity of investment support funds forms one bottleneck. But he expects this to change.

"Our previous efforts have managed to stabilize Brandenburg's economy and its labor force," Mr. Hirsche says.

"When you compare, for instance, the total number of unemployed, underemployed and those in job-creation and voluntary retirement programs in July 1991 with those in August 1992, you find that the number has declined by 85,000, to 480,000."

Within Eastern Germany, observers maintain, a number of prospering "islands of productivity" — the nuclei of broad-based expansion — have emerged. Mr. Hirsche says, "I think it's obvious that growth cannot occur uniformly throughout the region. A main feature of our policies has been to target certain promising areas and then attract investors to them."

Germany's maps may change to reflect this synergy. The minister foresees the union of the states of Berlin and Brandenburg in the near future.

Educational 'Chaos' Produces Tangible Results

The German educational system is often criticized for being inflexible, but its enviable end product is literate adults with high-level professional and personal skills. This system is certainly one of the secrets of Germany's economic success.

To penetrate the thicket of conflicting conventional perceptions surrounding German education, according to Horst Harnischfeger, general secretary of Munich's Goethe-Institut, "it is necessary to first distinguish between the state of academic education on the one hand and what is happening in vocational and occupational training on the other."

As Mr. Harnischfeger points out, the relationship between secondary and post-secondary education has

become disjointed. Well-prepared high school graduates are consigned to overcrowded university classrooms and confused courses of study. The result: students now require an average of 6.3 years to attain basic degrees.

Meanwhile, a barely noticed renaissance has been taking place in vocational education at all levels and ages. Its size is impressive. Some 63 billion Deutsche marks (\$44.7 billion) was spent on providing 1.5 million young Germans with occupa-

tional skills in 1991. West German expenditures have jumped 54 percent in this sector over the past 11 years. One out of three adult working Germans received some form of vocational education in 1991, a massive outreach funded in part by the nearly 17 billion DM spent in this area by the public sector alone.

The renaissance stemmed from a simple insight: If German executives in the 1980s cherished a belief in investments in robots and computer networks as being the determinants of corporate competitiveness, in the '90s, they have rediscovered human capital.

The Goethe-Institut, whose business is propagating German language and culture around the world, has itself participated in the trend, according to Mr. Harnischfeger.

"The number of training seminars and workshops we hold for our personnel has increased considerably since I started here 15 years ago," he notes.

German business's espousal of pragmatic, occupation-oriented education has penetrated the halls of academia. A parallel system of public-private, post-secondary education has grown up in Germany over the last five years, with 130 institutes offering degrees and certificates in business administration, purchasing, project site management and other specialized technical and commercial subjects.

Their approach to education is both straightforward and refreshing: "We try to get them in and get them out as quickly as possible" is how a dean at one such school described it.

Village Sees Flood of Visitors Arriving

Since the summer of 1990, scores of West German towns bordering the East have been regular sources of news for the media.

Photographers and television crews rushed to document the floods of East Germans streaming across the former border and into West German stores. The fall of the Wall, the introduction of the Deutsche mark in the East and political unity were all to be accompanied by successive surges of visitors from the East.

For 45 years, Bayerisch Eisenstein, a village of 1,300 inhabitants, had existed in splendid green isolation. A small but steadily growing stream of tourists — 20,000 in the pre-1989 years — came to climb the Grosser Arber, the highest peak in the Bayerischer Wald forest.

Then, in July 1990, the last barriers fell in the East. The Czechs started arriving, and with them the world's media. The Czechs came in peaceful columns of automobiles, scouring the village's department stores for electrical goods, cosmetics, building supplies and groceries, with scribbling journalists on their heels.

"It's never really stopped since then," says Josef Gabriel, the village's mayor. The number of people crossing through Bayerisch Eisenstein's border-control posts has risen from 80,000 to 6 million a year. The makeup of this massive flow of people says a lot about the daily reality of West-East relations.

Over the last two years, tourism on the Bavarian side has been growing at an annual rate of about 33 percent, caused by both the trend towards "green vacations" and the area's new situation. For the West Germans, the Czech republic is a prime destination for day trips. On their way, they often cross paths with East Germans heading the other way.

According to Mr. Gabriel, the East Germans lodge in the East, where accommodation is cheaper, and dine or shop in the West, where the selection is greater. While the Czechs flock to every Western de-

partment-store sale, local (Bavarian) residents have become regulars at Czech farms, buying produce and poultry of a freshness and at a price undreamed of in the West.

Nor is this new relationship confined to shopping and sightseeing. Czech has become one of the most popular offerings at the local Volkshochschule adult education classes. Perhaps the most momentous change involves Bayerisch Eisenstein's rediscovery of its twin city, Zelezná Ruda, four kilometers to the East. Both villages are the same size, share the same heritage and even have almost the same name: The German village's name translates as "Bavarian iron lode" and the Czech's as "iron ore city."

Soon the two of them will be sharing more than that. The villages are formulating a common land use plan designed to keep the region attractive to tourists.

Departing Soldiers Leave Opportunities

Continued from Page 7

ing are local and state development funds, a new 4 billion DM tranche of revenue sharing funds from the federal government each year and some 1.6 billion DM in federal price reductions on property transferred to communities and states.

The German government is committed to paying the Soviet Union's successor state another 14 billion DM in housing and moving costs for the "return" of the 243,000 hectares occupied by the Soviet troops.

After World War II, the Soviet Army's Western Strike Force and East Germany's Nationale Volkarmee appropriated the land they required and proceeded to do with it as they saw fit.

Their choices included a rather random selection of some of the country's loveliest natural refuges and hotels, as well as main traffic arteries, sprawling Wehrmacht barracks and the 1936 Olympic village. The dismantling of the National Volkarmee and the exodus of the ex-Soviet forces has had immediate benefits for East Germans: the end of circuitous routes around "forbidden zones" and the availability of apartments in Potsdam and hotels in Mecklenburg's lake district.

The Russians had so many sites that they did not even use some of



The Russians are going, the Russians are going: German television tracks the retreat.

them. Left alone for four decades, several military areas have become unofficial nature reserves, complete with populations of rare animal and plant species.

As environmental audits are bringing to light, many Russian sites also feature large amounts of pollution, including waste lubricants and

live ammunition. Hundreds of new and adapted technologies are being employed by specialist companies to eradicate these contaminants. The ranks of these companies include several of East Germany's former weapons manufacturers, which have transformed themselves into "peace technology experts."

90 years ago our ideas were seen as out of this world — they still are.

Zeppelin over Lake Constance, Baden-Württemberg.

Earth Reconnaissance Satellite ERS-1.

Over 90 years later it remains the largest aircraft the world has ever seen. In its time, the technology that created it was seen as nothing short of revolutionary. Perhaps in many ways it was as much a product of the fresh thinking and innovation that still thrives in the region of Baden-Württemberg. Today, technology has gone further, and reached levels far beyond the imagination of the age when giant airships first flew, yet the attitude they forged remains the same.

The skies still hold the challenge, but now the challenges are for faster, more efficient communications, and improved management of the earth's resources.

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And perhaps it might be the right time for you to think about it too.

For more information about Baden-Württemberg (Germany), please contact:
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Baden-Württemberg (GWZ)
Mr. Günther Fuchs
Willy-Blender-Strasse 19, 7000 Stuttgart 1, Germany
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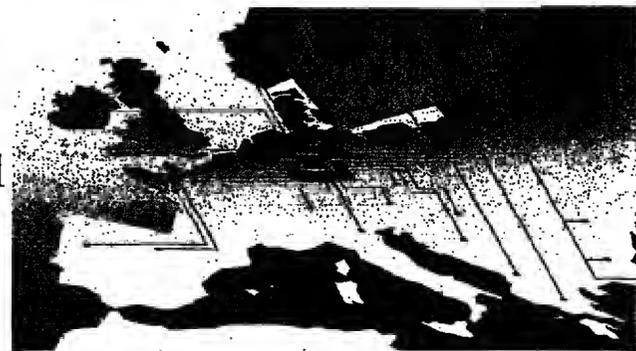
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Trade Fairs Develop Into Leading Export

Germany's 170 trade fairs attract enough exhibitors and visitors to place the country among the top five in the world league of countries that organize trade fairs.

Recently, Germany's trade-fair authorities have been launching dozens of new events in unusual venues, such as Perm in Russia, Chiha in Japan, and Atlanta, Georgia in the United States. The subjects have been more familiar: environmental technologies, textiles, computers and capital goods.

"Services transfer" is the term used by Messe

29 events planned in ex-Soviet Union

Frankfurt GmbH, the city's trade-fair authority, to describe the transplanting of German organizational skills into new settings. In addition to organizing trade fairs, German authorities are also exporting skills to manage non-German airports, convention centers and technical institutes in places ranging from Brno to Hong Kong.

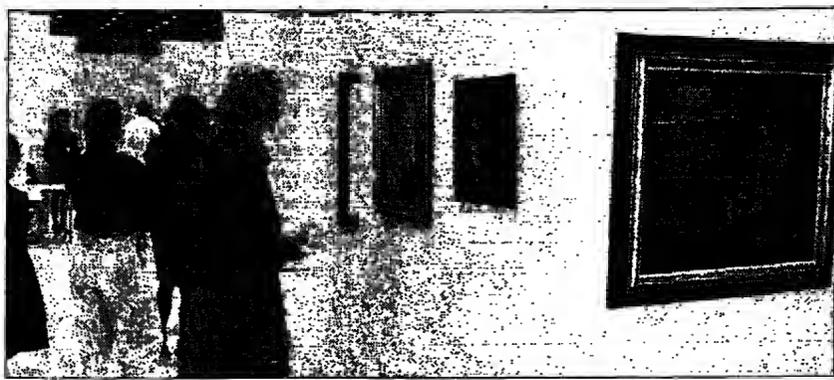
By the end of 1992, Frankfurt will have staged 12 "transfer fairs" during the last five years. As Elke Markau, Messe Frankfurt's chairman, explains, this is "a departure from the concept of holding a single trade fair for the entire world." Frankfurt's efforts to set up offshoots of its successful events are designed to reach a region's small and medium-sized companies and to

address their specific needs and interests.

Sometimes the trade fairs are held not to consolidate business growth, but to promote its existence. The best example is in the former Soviet Union, where seven German organizers are holding 29 events in 1992, the most prominent being Novosibirsk's SIB 92, a broad consumer and capital-goods fair staged by MMG, Munich's trade-fair group.

Companies within the same group will be staging two key transfer events in Mexico. Tecomex 1993 will pioneer environmental technologies in the highly industrialized Monterrey area. The next installment of TechnoGerm, the triennial exhibition of German technological progress, will be held a year later in Mexico.

A notable example of the transport authority acting as consultant is Airconsult, the transfer service arm of Flughafen Frankfurt Main AG, Frankfurt's airport authority. Airconsult's 120 projects have included everything from preliminary site selection for a new airport in Athens to compiling an air transportation master plan for Mauritania. Sometimes the provision of services is on a daily, long-term basis. Airconsult manages and operates such airports as the one in Sharjah, United Arab Emirates.



Question of value: a potential customer at a Cologne exhibition.

Public Support Keeps Art Sales Thriving

The recession this year has brought some problems, but demand and prices in the art market have remained at high levels, as judged by pre-boom standards, at established auction houses and well-rooted galleries.

The art business in Germany is "a collection of highly individual markets, many displaying a great resiliency," according to Count Christoph-Archibald Douglas, managing director of Sotheby's in Germany.

This resiliency is largely attributable to the direct and indirect support of one large, seldom-discussed client: Germany's public sector. Just under 1 percent—or 11.88 billion Deutsche marks (\$3.43 billion)—of all govern-

Government budget spending for culture has been increasing by 7 percent per year

ment expenditures (city, state and federal levels) has been budgeted for culture in Germany in 1992, a figure that has been increasing by some 7 percent a year.

The visual arts, including support for museums, exhibitions, art schools and purchases of objects, have been doing better than average, rising by 11 percent annually, according to figures released by Germany's conference of state ministers of culture.

Does this 2.5 billion DM a year, plus the burgeoning support from the art-hungry corporate sector, make the German art market "recession-proof," as many observers claim?

"Public-sector support is valuable for the art market; there is no doubt about that," says Professor Günther Pickler, author of numerous books on the German art market. Mr. Pickler believes that the public sector could do more, however, especially in its support of the country's artists, who would like to have tax laws configured to recognize their unique situation.

A look at autumn's events:

Munich's art and antique trade fairs are always opulent, monumental affairs. This year's installment, the 37th Deutsche Kunst- und Antiquitäten-Messe, will be held at the city's trade-fair grounds from Oct. 9 to 18 and will feature 160 dealers presenting 20,000 works of art on over 9,000 square meters of floor space.

Ars Antique in Frankfurt is highly international. Exhibitors from the Netherlands, Spain and Switzerland join a large contingent of domestic dealers in presenting everything from the ancient to the avant garde at the event, which will be held from Nov. 7 to 15 at Frankfurt's trade-fair grounds.

For 26 years, Art Cologne has provided Germany with a comprehensive overview of the world's modern art. Organized by the country's association of contemporary galleries, Art Cologne features 260 galleries from 21 countries exhibiting at Cologne's trade-fair grounds from Nov. 12 to 18.

Munich's Ketterer Kunst's line-up of upcoming auctions includes the intriguing "Modern Art for Prices Less Than 10,000 DM" and "Erotic Art" on October 10 and "Jugendstil, Art Deco, Applied Arts" on Nov. 7.

Over the past few years, Berlin's Villa Grisebach has been expanding from its base in avant-garde and classic modern German art. This autumn's auctions, to be held on Nov. 27 and 28, continue the trend. Paintings on sale range from those by Klee, Schlemmer and Otto Müller to works by such 19th-century luminaries as Pissarro, Renoir and von Menzel.

Essen's international art and antiques trade fair has a new, shortened name — "A 92" — and its usual solid selection of everything from Asia to the avant-garde. A 92 will feature 100 exhibitors from Germany, the Netherlands and Britain, and will be held from Nov. 14 to 18.

Sotheby's is dividing its autumn auctions. On Nov. 27, 20th-century art will be featured at the company's Berlin premises. On Dec. 10, its Munich offices will auction 19th-century graphic works from Germany and Austria.

Stuttgart Fathers 'Micro' Revolution

In the 1980s, a largely unnoticed technological revolution based on "intelligent components" took place in Germany, securing the country another generation of competitiveness.

These technological advances took place in the capital goods industry, clustered around Stuttgart and other cities in the state of Baden-Württemberg, where companies are using electronics and computer-aided design and manufacture in the production and outfitting of machine tools, printing presses, warm-band steel rolling mills and other staples of German industry.

This ability to graft various cutting-edge technologies onto traditional products is a German specialty, fostered by a research and development landscape that emphasizes the shaping of existing sectors for future needs.

In 1991, Germany spent 79 billion Deutsche marks (\$56 billion dollars) on industrial research. Notable was the high percentage devoted to non-military areas (86.5 percent) and the preponderance of direct private-sector funding (63 percent).

A new complex of technologies is currently making its way through the German research laboratories. This time, magazines have been quick to praise the possibilities of "microtechnologies," as they have dubbed them.

"Micro systems technologies" is the term used by Rainer Günzel of the Hahn-Schickard-Gesellschaft für Angewandte Forschung. This institute, located in the southern German town of Villingen-Schwenningen, specializes in developing items measured in micrometers. Founded in 1955 by 70 companies, the institute began working on

quartz-based watch mechanisms for the local industry. Today, after an extensive restructuring in 1990, the institute administers a number of related facilities, among them IMIT (Institute for Micro and Information Technologies).

As Mr. Günzel explains, the miniature pumps, cylinders, circuits and sensors issuing from the Hahn-Schickard laboratories are not being developed for use in a single area of industry. Nor is the advantage of these down-sized components merely that they save space and weight.

Rather, smallness means proximity. By placing various functions alongside each other, integrated systems can be created that were hitherto impossible because of over-long travel times.

The institute, searching for an apt term, calls the end-product "intelligent components" and foresees the incorporation of their self-adapting, self-controlling capabilities in everything from automobiles to medical measurement devices.

To design and produce these "micro items," technologies of mask etching, computer visualization and controlled manufacturing systems were employed.

Many of the technologies also emanated from Baden-Württemberg's intricately woven network of research and development institutes. The state has 41 research facilities and 150 technology transfer centers, plus nine universities and 23 polytechnics.

The Challenge Of Unity

Continued from Page 7

the country) is arousing little jubilation in Germany. Each Konversion project relies on untested market support and comes with price tags starting in the hundreds of millions of marks.

An attempted transformation of the environment: In 1992, when world leaders went to Rio de Janeiro to discuss future measures for protecting the environment, the German government was creating systems for the recycling of everything from yogurt containers to automobiles. The question remains whether this will be enough to turn the tide, despite the 16.3 billion DM spent by the public and private sectors annually and the efforts of the country's environmental technologies sector, which counts some 4,500 companies.

One very important transformation has been

purely domestic. After a highly divisive election in late 1990, the country has been moving toward pragmatic agreements on a whole range of troubling issues. A series of shifting, ad hoc coalitions has emerged to permit the reform of laws on abortion, the instituting of controls on the cost of health care, the financing of East German reconstruction and the tabling of modifications to the right to universal asylum. This last came after disturbing manifestations by right-wing youths in Rostock and elsewhere.

One controversy Germany shares with the rest of Europe: Is the Bundesbank right to continue its hard line on the public-sector deficit (set to total 110 billion DM) and growth in money supply (at 9 percent for the M3 band)? Or is this a failure, to recognize that a new situation has emerged, one requiring other kinds of action?

An honest appraisal of the world in this period of often-frustrating transitions — German, European and global — should include an appreciation of the considerable assets Germany can marshal to handle most of them. Vice Chancellor Müllmann says, "Over the last years, Western Germany has been increasingly investing the fruits of its growth in the modernizing of its public- and private-sector stock. The growth has been fueled by neither inflationary nor speculative pressures. For these reasons, Western Germany is better equipped to withstand and more quickly overcome a period of low growth than it was in previous periods."

By nearly every economic indicator — the low number of bankruptcies, the high total amount of corporate reserves, the level of investment in technologies and infrastructure — the country has put its 10 years of record prosperity to good use.

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Norbert Kricke. Sold at Art Cologne.

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Transport: Railroads Win Lion's Share

Far-ranging plans have been announced for Germany's transport, communications and utilities sectors.

The first transport infrastructure plan formulated by the Federal Republic of Germany in the post-unification era covers all means of transport and regions. Railways will receive 195 billion Deutsche marks (\$138.3 billion) over the next two decades, roads some 4 billion DM less. The rest of the plan's 500 billion DM budget will go to rivers, canals and revenue sharing. With one-fifth of the country's population, Eastern Germany has been allocated two-fifths of the funds.

Major future developments will be the completion of the ICE express-train network throughout Germany and to points beyond, the upgrading of East German tracks to Western standards, the expansion of major autobahns to six or eight lanes and the filling of the last gaps in the nation's highway system. Better border rail and road connections and possibly a train tunnel under the Alps are also envisioned. Also under consideration is the establishment of the Bundesbahn (federal train system) as a joint stock company.

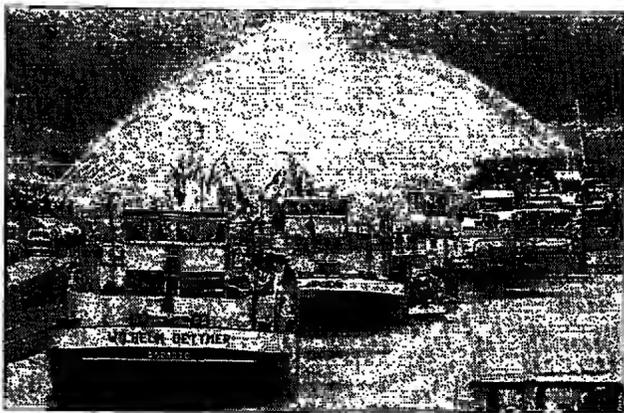
If current spending is an indication, a slant toward Eastern Germany and toward railroads may be developing. Two-thirds of the 16 billion DM East German transport allocation in 1992 will be devoted to the region's trains and mass transit systems.

The reason for this over-proportional investment is, according to Cologne's IWD economic analysis institute, an unforeseen doubling in East-West freight and commuter traffic over previously record high levels. This has come after all experts were predicting a slowdown in economic growth, as well as personal and business travel.

These sudden twists and turns make formulating infrastructure investment plans a nerve-racking science. To Georg Orltisch, senior economic development official at Bavaria's Ministry for Economic Affairs and Transport, such plans are, by their nature, extrapolations of prevailing "political, popular and scientific situations."

Sometimes, as Mr. Orltisch has himself experienced, political upheaval can change a transport project into a cliff-hanging drama. Bavaria's 171 kilometer-long Rhine Main Danube canal was originally planned in the 1920s. Work on the main portion began in the expensive, optimistic 1960s. In the late 1980s, the tail end of the Cold War, the nearly finished canal was widely decided as a gigantic folly connecting "nowhere with nothing."

Put into commission on Sept. 25 of this year, it is now viewed as a life-saving, affordable transit artery for Eastern Europe's



From the North Sea to the Black Sea: The Rhine-Main-Danube canal, conceived 71 years ago, was finally opened on Sept. 25.

emerging economies. Once political turmoil in Yugoslavia has abated, the 5.2 billion DM canal will handle up to 8 to 10 million tons of freight annually at prices one-third of those charged by rail transporters.

Moreover, as Mr. Orltisch points out, infrastructure planning is a never-ending process.

Autobahns to have eight lanes

"You never reach the point where you can say, 'Our job is done.' There are always new demands, new requirements."

Senior officials at DBP Telekom would heartily endorse that statement. In October 1990, the national telecommunications authority was under attack for not being able to upgrade instantaneously Eastern Germany's antiquated telephone system. Two years, 16 billion DM and 680,000 connections

later, placing a call to Eastern Germany's official and business sectors has become routine.

By the end of the year, well over a million new connections and 21,000 telephone booths will be in place in Germany's "new" states, giving a high percentage of the region's residents and business quick access to telecommunications.

Telekom is not resting on its laurels. The authority has now been given the lead role in the government's new privatization plans. By early 1994, after the authority will have completed a drastic personnel reorganization plan, half the shares of the new Telekom AG are to be sold to the general public. Germany's analysts are now busy debating whether the 10 billion DM, 26 billion DM or even 40 billion DM in proceeds will be enough to fund the authority's ambitious investment plans and help replenish the government's coffers.

A point of consensus is that Telekom AG is set to become the anchor of the DAX stock exchange index (Germany's equivalent of the Dow Jones) and the most widely held stock in the land.

Privatization is also making inroads in another hitherto sacrosanct area: utilities and other public goods. Traditionally the preserve of public-sector-controlled entities, the operation of natural gas pipeline networks, sewage treatment facilities, water supply, public transport systems and waste disposal facilities is now being carried out by private companies.

As this symbiosis between private-sector capital and public-sector facilities has long been standard in France and (more recently) Britain, it is not surprising that non-German companies are leaders in this field. According to Munich's authoritative IFO economic think-tank, "infrastructure leasing" grew by 25 percent in Germany in 1991. The recent spate of contracts awarded in Eastern Germany to Thames Water, Générale des Eaux and Lyonnaise des Eaux is expected to assure an increase triple that size in 1992.

Integrating the Stock Markets

By every indication, 1991 was a record year in German finance. This year will be remembered as the year in which unity came to Germany's financial institutions and diversity to its markets.

In 1991, new highs were set in bank profits (27.3 billion Deutsche marks, or \$19.4 billion), in insurance policy payments (166 billion DM), real estate prices and total personal net worth (3.4 trillion DM).

In 1992, the numbers may not be quite so noteworthy. Some bank profits are higher but some are not. Insurers and reinsurers have registered another strong increase, but will face higher claims due to storm damage.

The impeccable profit performance of Allianz, Europe's largest insurer, is being tarnished by the expensive restructuring of its East German subsidiary. Following worldwide trends, shares and securities exchanges have retreated from record levels. Commercial real-estate prices are showing the first signs of softness.

By the end of the year, the country's leading stock exchange, Frankfurter Wertpapierbörse, will be rechristened Deutsche Börse AG. This German stock exchange will then stage a friendly takeover of the country's futures exchange (Deutsche Terminbörse) and settlement organizations (Deutsche Kassenverein and Deutsche Wertpapierdaten-Zentrale GmbH).

To cement the ties between Frankfurt and the country's seven jealously individualistic regional exchanges, the regional exchanges will collectively receive a 10 percent direct holding in Deutsche Börse's share capital, with another 22 percent going to non-Frankfurt-based universal banks with large brokerage operations.

These changes have been widely publicized. They are, however, less important than the spread of

electronics in the form of IBIS and Boss-Cube. Introduced in 1989 as a real-time trading and information system, IBIS (an acronym for the German meaning "integrated exchange trading and information system") was upgraded to a full-fledged electronic transaction system in April 1991. Thanks to its use by over 170 finance houses, IBIS and its terminals constitute a single electronic exchange.

Enter Boss-Cube, controversial in its costs and effects, impressive in its

Savings increased 10-fold in the East

capacities. This electronic order-routing system links, for the first time, the exchanges' trading floors into a nationwide system, meaning that brokers no longer place orders by waving slips of paper.

"Should the use of Boss-Cube in all exchanges be made mandatory," says Heinz W. Schmitt, managing director of the Bavarian Stock Exchange, "the smaller exchanges would be nothing more than hollow shells."

Other stock-exchange leaders, including Rüdiger von Rosen, speaker of the FWB's board of managing directors, see the introduction of Boss-Cube as merely part of an attempt to bring Germany and its "financial capital," Frankfurt, up to New York or London levels.

The attempt has been highly successful. During the many recent changes in the stock exchange, Germany's large institutional investors have increasingly brought their business back to their native country, instead of

routing it via London, as was the case in the post-Big Bang era.

Private investors have, for practical purposes, never been in Germany's stock exchanges until recently. A sign of the growing sophistication of the German financial scene has been their entry into a proliferating number of real-estate and mutual funds and, most notably, fixed-term funds and shares and securities. Since 1980, total savings by German households has grown by 50 percent, while life insurance was registering an increase of 181 percent, and shares and securities a huge 211 percent. The growth leader is fixed-term funds, at 251 percent.

In some respects, divergences between East and West have been largely eliminated in Germany. One instance is savings. West Germans save an average of 13.5 percent of their income; East Germans, 12 percent (a 10-fold increase over 1990). The founding of 181 public-sector savings banks in the East — known as Sparkassen — during the past two years is in part responsible for this increase in savings. Germany's universal banks and major insurers have also established region-wide networks of offices.

Is there a difference between banking in the East and in the West? "Customers in the East generally dispose of considerably less money, while having a greater need of our counseling services," says Adolf Schmitt-Weigand, president of Sparkassen-und-Giroverband Hessen-Thüringen, a recent amalgamation of the savings bank associations of the states of Hesse and Thuringia.

Adapting to Market Tests the East's Skills

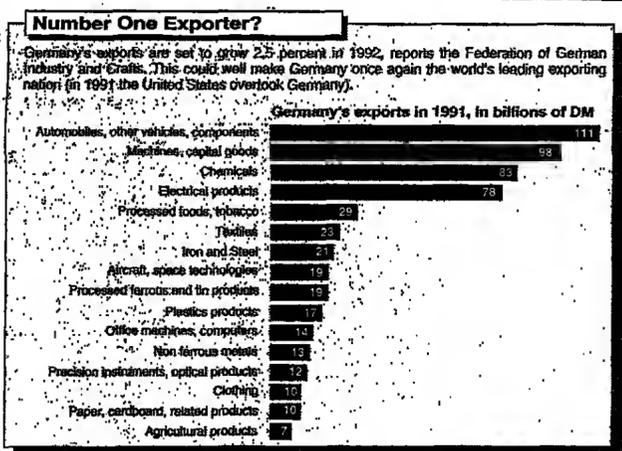
Continued from Page 7

thoritative Institute of the German Economy.

Markets are the one thing the region's industry lacks, and without enough customers for their machines, cranes and chips, Eastern Germany's 10,000 industrial companies will not be able to assure their own survival or create the additional 1.5 million high-paying jobs needed to make the region self-supporting. Industrial production is running at 63 percent of 1990 levels.

Markets, despite more than the 5 billion DM in payment guarantees provided by the German federal government for exports to Eastern Europe, are failing to materialize. Interest in East German products in Eastern Europe is high, but orders are sporadic and payment in hard currency even more so. Exports to Eastern Europe have declined by 75 percent since 1989. In the West, Eastern Germany's products (with notable exceptions) are neither cheap nor innovative enough to make inroads in the hegemony achieved by competitors.

There are signs that a



new market is emerging in Eastern Germany itself. Of all East German business sectors, processed food, consumer products and related items have declined the least; Eastern brands have regained a 20 percent share of their home market.

Whether this will carry over to other key sectors, such as consumer durables and semi-durables and capital goods, is questionable.

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TOP LOCATION FOR TOP OPPORTUNITIES: BRANDENBURG

Brandenburg means room to expand. This new state in Germany offers both domestic and foreign investors outstanding starting conditions. The location in the centre of Europe, the sales potential, the existing industrial variety, the investment assistance possibilities — all this will facilitate your successful business venture.

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Walter Hirtche, Minister for Economic Affairs and Technology.

up with the existing capability in the fields of steel and lignite coal, petroleum processing, mechanical and automotive engineering, electrical engineering/electronics, glass/ceramics, textiles, energy, trade, services and tourism.

THE INVESTMENT ASSISTANCE: FLEXIBLE AND GENEROUS.

A whole range of investment assistance possibilities support you. As part of the inter-German reconstruction programme as well as from the various EC funds, assistance is available for all measures to improve the region's economic structure. Grants are available for investments in industry and in the allied infrastructure. In addition, there are tax-free allowances for the purchase and manufacture of specific assets as well as possibilities for special write-offs.

THE PLACE TO LIVE: BRANDENBURG

Brandenburg's attractions have been appreciated by prominent people in history from Frederick II of Prussia to Albert Einstein. Today Brandenburg has the most water surface of any state in Germany. With its 89,000 ha (344 sq. mi.) of waterways, the state is positively swimming with lakes and rivers. And that means recreational areas, water sports and great leisure value. In a countryside that has retained much of its unspoiled beauty.

AT THE FOCUS OF THE FUTURE

The new business location no. 1 in Germany will be the surrounding area of the new capital Berlin. Here, where 6 million people live, Brandenburg is the current expansion area.

You will be investing in the best of company, like Mercedes-Benz, BMW/Rolls-Royce, BASF, Luftansa, VEB, Heidelberger Druckmaschinen or ASEA Brown Boveri. More and more companies are taking advantage of the favourable climate for investment in Brandenburg. And they are linking

Im Mittelpunkt der Zukunft

MINISTER FÜR WIRTSCHAFT MITTELSTAND UND TECHNOLOGIE

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Am Lehnitzsee
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Fax: Potsdam 2 35 82

NYSE

Friday's 3 p.m. Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Symbol	Price	Change
IBM	115.00	+0.25
MSFT	68.00	+0.50
GE	45.00	+0.10
AMZN	42.00	+0.15
GOOG	28.00	+0.20
DIS	35.00	+0.10
INTL	25.00	+0.05
ORCL	30.00	+0.10
HPQ	38.00	+0.15
CRM	40.00	+0.10
QCOM	45.00	+0.20
TXN	48.00	+0.15
INTC	50.00	+0.20
ADSK	55.00	+0.25
WDC	60.00	+0.30
SGS	65.00	+0.35
NTSC	70.00	+0.40
PLD	75.00	+0.45
WGL	80.00	+0.50
AMT	85.00	+0.55
DLN	90.00	+0.60
SPX	95.00	+0.65
IND	100.00	+0.70
TRN	105.00	+0.75
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WTR	1720.00	+16.90
WTR	1725.00	+16.95
WTR	1730.00	+17.00
WTR	1735.00	+17.05
WTR	1740.00	+17.10
WTR	1745.00	+17.15
WTR	1750.00	+17.20
WTR	1755.00	+17.25
WTR	1760.00	+17.30
WTR	1765.00	+17.35
WTR	1770.00	+17.40
WTR	1775.00	+17.45
WTR	1780.00	+17.50
WTR	1785.00	+17.55
WTR	1790.00	+17.60
WTR	1795.00	+17.65
WTR	1800.00	+17.70
WTR	1805.00	+17.75
WTR	1810.00	+17.80
WTR	1815.00	+17.85
WTR	1820.00	+17.90
WTR	1825.00	+17

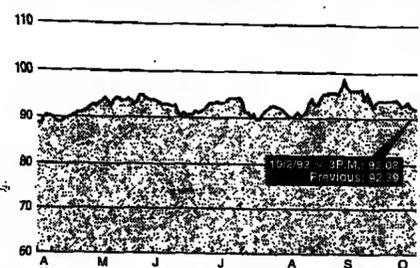
BUSINESS

International Herald Tribune, Saturday-Sunday, October 3-4, 1992



THE TRIB INDEX: 92.08

International Herald Tribune World Stock Index, composed of 230 internationally investable stocks from 20 countries, compiled by Bloomberg Business News. Jan. 1, 1992 = 100.



The index tracks U.S. dollar values of stocks in: Tokyo, New York, London, and Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Hong Kong, Italy, Netherlands, New Zealand, Norway, Singapore, Spain, Sweden and Switzerland. In the case of Tokyo, New York and London, the index is composed of the 20 top issues in terms of market capitalization. In the remaining 17 countries, the ten top stocks are tracked.

Region	Approx. weighting	9/30 P.M. 1992	9/30 P.M. 1991	% Change
Asia/Pacific	20%	93.78	95.83	-2.22
Europe	40%	92.40	95.88	-4.67
N. America	30%	94.75	95.88	-1.24

Industrial Sectors	9/30 P.M. 1992	9/30 P.M. 1991	% Change
Energy	97.23	97.57	-0.35
Utilities	89.73	90.30	-0.63
Finance	82.95	82.40	+0.67
Services	96.48	97.14	-0.68
Capital Goods	95.54	96.17	-0.66
Raw Materials	97.36	97.43	-0.07
Consumer Goods	94.28	95.02	-0.78
Miscellaneous	95.75	96.83	-0.91

For reduced dealing more information about the International Herald Tribune World Stock Index, a booklet is available free of charge by writing to Trib Index, 181 Avenue Charles de Gaulle, 92521 Neuilly Cedex, France.

Yeltsin Approves Trial Land Sales

MOSCOW — Extending his privatization campaign, President Boris N. Yeltsin approved an experimental land sale on Friday that could help determine property values in Russia. Mr. Yeltsin authorized officials in the Ramenskoye District outside Moscow to start auctioning plots of land by year-end to citizens living in the region or in the capital, the Itar-Tass news agency reported.

The decree, the agency noted, marked the first time that land would be sold to homebuilders after seven decades of communism that forbade the private ownership of land. It came one day after the government began distributing privatization vouchers to Russia's 148 million people, giving citizens the chance to become owners.

The only condition in the experiment, according to a presidential spokesman, Anatoly Krasikov, was that the buyers must use the state-owned land for home construction. It was not immediately clear how much land would be offered for sale, or whether there were any other restrictions. Profits will go central and local government agencies, Itar-Tass said.

After the land has been sold, the state Committee for Land Reform will use the prices fetched to help determine land values, possibly for a wide-scale land privatization in Russia, Mr. Krasikov said. Like the voucher program, many details of the experimental land sale were not clear, such as whether a buyer could resell the plot to a builder rather than build on it himself.

After nine months of slow-moving market freedoms, most Russian citizens still are forbidden from purchasing land outright. They can only lease or inherit land. In Warsaw, Yegor T. Gaidar, the reform-minded acting prime minister of Russia, accepted Poland's proposal to cancel the countries' debts during talks Friday with Polish officials.

Mr. Gaidar told President Lech Walesa that he agreed with Poland's so-called "zero option," in which Moscow and its former East bloc satellite would decide that their debts canceled each other and start relations anew on more equal footing.

Poland owed about \$1.6 billion and 4.7 billion transferable rubles (\$15.2 million) to the former Soviet government. Moscow's debt to Poland was put at \$336 million and 7 billion rubles.

A switch to hard-currency payments between the two countries made the debt calculation complicated, but according to Russia, Poland should repay about \$1.5 billion to settle the accounts. Separately, the Polish Parliament gave initial acceptance to a sweeping mass privatization plan for Polish state industries on Friday, but the long-delayed program must undergo further review.

By a vote of 180-146, with 17 abstentions, the Parliament sent the program to committees, which may advocate changes before a final Parliament vote. The privatization program would turn 60 percent of the shares in 600 of the best-operating state enterprises over to 20 private stock funds. All 27 million adult Poles could buy shares in each at an initial offering price of 10 percent of the average monthly salary, now 2.9 million zlotys (\$218). The buyers will be able to trade their shares.

Austria Chrysler Vans Face 10% EC Tariff

BRUSSELS — The EC Commission said Friday it would seek 10 percent import duties on Chrysler Corp. Voyagers made in Austria after it failed to negotiate a reduction in Austrian government subsidies for a Chrysler plant.

Chrysler reacted angrily to the commission's move, which followed the collapse of talks Thursday. The U.S. carmaker, which makes the vans in a joint venture with Steyr-Daimler-Puch AG, said it might "be forced to file a complaint with the European Court of Justice."

The Voyager factory in Graz cost 300 million European Currency Units (341.67 million) to build, Austria gave Chrysler a subsidy of 100 million ECUs toward the plant. Under EC rules, the maximum subsidy allowed for setting up factories is 8 percent.

Sources said Austria and Chrysler offered to drop the subsidy to around 20 percent of the plant cost, but the commission would go no higher than around 14 percent.

Chrysler's Graz plant is to produce 13,000 vans this year, 34,000 in 1993 and 50,000 in 1994. About 90 percent are destined for export to the 12 European Community countries, the EC spokesman said.

Joseph E. Cappy, Chrysler's vice president for international operations, said, "We hope that we will be given a fair meeting and a chance for a more rational decision by the Council of Ministers." Chrysler seems likely to play a jobs card. Mr. Cappy said: "The EC Commission's recommendation could jeopardize present and future sourcing of Voyager components to European suppliers, an activity which should generate revenues of over \$300 million every year for countries in 12 European countries. Once again, the bureaucrats in Brussels will cost jobs in Europe."

Mercedes to Cut 10,500 Jobs

FRANKFURT — Mercedes-Benz AG said Friday it would cut 10,500 jobs by year-end as part of a plan to reduce its work force by 20,000. It will also extend its Christmas production stoppage to seven work days from the usual four work days because of sluggish foreign market demand for its luxury vehicles. Production will stop from Dec. 21 through Jan. 4, a company spokesman said.

The 10,500 jobs will be eliminated through expired contracts of short-term workers, attrition through retirement, and offering retirement at age 58 rather than age 65. The company said it would meet plans for overall employee reductions of 20,000, announced in April, over the next "two, three or four years."

German Status Quo Hits Markets

LONDON — European stock markets tumbled Friday and the pound skidded to new lows against the Deutsche mark on disappointment that the Bundesbank decided not to cut its key interest rates.

The decision, made at a regular meeting of the German central bank's council, dashed hopes of a Bundesbank easing that would reduce strains in the European Monetary System and boost economic recovery in Germany and elsewhere.

Although the decision had been widely expected, the pound skidded to a new low against the mark to end in Europe at 2,439.5 DM, down more than 4 pence from Thursday's close. It is now more than 17 percent below its old central rate in Europe's exchange-rate mechanism of 2.95 DM.

At one point during the day, the pound was as low as 2,426.00 DM. Another of the currencies weakened by the European crisis, the Irish punt, was under attack again Friday, and the Dutch central bank was reported to be intervening in the market to support it.

Currency analysts said the British currency remained vulnerable to uncertainty about future British economic policy since the pound abruptly tumbled out of Europe's system of semi-fixed exchange rates on Sept. 16.

"There's a complete and utter vacuum" of government policy, said Jan Amstad, economist at Bankers Trust in London.

In stock markets, the fall across Europe was reflected in the Europe component of the International Herald Tribune World Stock Index, which had fallen 0.22 percent by 3 P.M. New York time. The overall index was off 0.34.

In London, Britain's Financial Times-Stock Exchange index of 100 leading shares closed down 22.6 points at 2,549.7, depressed by the weakness in the pound.

"Sterling's weakness against the dollar and Deutsche mark will make an interest rate cut very hard," said Chris Stebbings, salesman at Deutscher Securities.

Many analysts expect the Conservative government, which lopped a point off base lending rates last month to 9 percent, to reduce rates to as low as 8 percent by year-end.

Also undermining sterling and stock prices are persistent rumors that the chancellor of the Exchequer, Norman Lamont, will resign.

On the Paris Bourse, prices were knocked down as investors attracted to money market interest rates above 10 percent continued to pull their money out. The CAC-40 index ended 40.66 points lower at 1,683.34. That was its lowest close since Sept. 1, and 9 percent below the close a week ago.

Since Sept. 20, the date of the French referendum that narrowly approved the European Community's treaty on closer union, the CAC 40 has lost 200 points, and is now below its level of the end of last year.

Germany's 30-share DAX index fell 5.9 points to 1,478.04, skidding in a turbulent half-hour of trading on disappointment at the Bundesbank decision and worries about its economic outlook.

In Zurich, Swiss shares also fell. The all-share SPI index closed 8.3 points lower at 1,138.6 and the SMI index fell 17.6 to 1,867.6.

In Milan, however, the MIB index rose points to 721. Operators said the market was covered news of the Italian request for an ECU loan to help with the budget problem. But investors remained cautious about international interest rate trends and the lira's weakness.

Pressure on Dollar Spells Trouble

By Carl Gewirtz
International Herald Tribune
PARIS — While the Bundesbank confirmed Friday that it had eased money market rates by a token amount, analysts expect currency tensions within Europe to remain high and say they are likely to be exacerbated over the coming weeks if downward pressure on the dollar builds up.

The dollar flirted Friday with what looked like a recovery, rising 1.6 percent against the Deutsche mark after the Labor Department reported a drop in the jobless rate to 7.5 percent in September.

Currency traders had expected a disastrous labor report would provoke the Federal Reserve to cut interest rates and send the dollar skidding. Traders' reaction to the news was to buy back dollars that had been sold. But the rally was short-lived as analysts weighed in with assessments that the headline news exaggerated the underlying trends.

"The index of total hours worked in the economy fell 1.1 percent in the month and declined at an annual rate of 0.4 percent during the

Ecu Bonds Keep Dropping

LONDON — Ecu bonds fell further on Friday, and analysts said the market for them was dying — the victim of declining prospects for European economic unity and the equity of Germany.

The supply of new bonds denominated in European Currency Units and sold by European governments has slowed to a trickle. The bonds already on the market look like good buys. But the prospects of the market becoming more and more illiquid reduces their attraction and the market is virtually at a standstill.

"The Ecu market looks 'rather sick,'" said Jonathan Davies, analyst at UBS Phillips & Drew. "The problem is, in the long term, is there going to be liquidity and supply?"

Ten-year Ecu bonds for December delivery on France's MATIF were down 0.02 point at 104.56 at the close of London trading Friday. The contract has slipped about 2 points since the beginning of June.

The Ecu was the prime candidate to be Europe's single currency of the future and there are now about \$116 billion of outstanding Ecu bonds, up from \$41 billion in 1987. But with paths to monetary union now obstructed, governments are leery about issuing more Ecu-denominated bonds.

past quarter," noted John Lipsky, chief economist at Salomon Brothers in New York.

"This means current economic growth is being derived virtually exclusively from productivity gains," he said. "Thus, income

growth remains very low and growth estimates will be revised downward. Inevitably, concerns will be raised that the economy is headed for a new downturn."

Philip Braverman at DKB Securities Corp., the New York unit of

Dai-ichi Kangyo Bank, said the latest data shows "fewer people working fewer hours earning less money. The economy is still in recession, and what we didn't get this month in the way of bad unemployment news we'll get next month."

Worries about the state of the economy and possible fiscal stimulus by whoever wins the November election — widening an already huge budget deficit — could damage the dollar. There is also concern about Ross Perot's advocacy of reducing the deficit at a time of slow growth or no growth.

"The dollar's got problems," said Jim O'Neill at Swiss Bank Corp. London. "The strong likelihood of a cut by the Fed, the dreadful political environment and the panic that could set in if Mr. Perot were appear likely to win the election. All spell bad news."

He sees the dollar falling to new low against the mark. "I only question is whether 1.35 D is the bottom or whether it goes even lower," he said.

The dollar traded as high as 163.50 against the Deutsche mark.

See DOLLAR, Page 14

ECONOMIC SCENE

Waiting for the President: Capital Gains, Insurance

By Peter Passell
New York Times Service

NEW YORK — The U.S. economy is under water and, judging by the polls, so is President George Bush's reelection campaign. Is there any way for Mr. Bush to regain the initiative? Any president is obviously at a disadvantage running on his record in the midst of a recession. And this president is at particular risk because this recession threatens his natural constituency — white-collar workers who never before imagined that the jobs lost could be their own.

But Mr. Bush's sometime allies on the economic right are still puzzled by his failure to fight, with all the weapons at hand. The uncertain fate of two radical proposals, which have been bouncing from desk to desk in the White House for months, illustrate the grip of inertia on his administration.

The president's apparent cure of choice for all that ails the economy, repeated so often that it has taken on the quality of a mantra, is a cut in the tax on capital gains. But Congress is not about to give him what he wants — at least not unless it is attached to a tax increase on the ordinary income of the rich. And by most accounts, the contest is firmly stalemated.

Most accounts, but not all. Paul C. Roberts, a Treasury official in the Reagan administration who still carries the supply-side banner into political battle, suggested six months ago that Mr. Bush could cut the effective tax rate on capital gains by executive order. And a high-profile Washington law firm hired by the U.S. Chamber of Commerce and the National Taxpayers Union thinks he has a point.

The idea is to index capital gains to inflation, taxing only the portion of the gain in value that exceeds the change in the general price level. Thus a stock bought in the early 1960s for \$10 and sold today for \$30 would not be taxed at all because the price level tripled in the interim.

Congress would not be likely to muster a veto-proof majority to reverse the administration's interpretation. And private citizens opposed to indexing would have great difficulty gaining the legal standing to force a decision by the courts.

Suburbanites who will determine Mr. Bush's fate would probably See SCENE, Page 15

Inertia has spread throughout the White House.

■ In Praise of Japan
The head of Britain's car industry trade group defended the presence of Japanese carmakers in Britain. Reuters reported from Paris. Hal Miller, chief executive of the Society of Motor Manufacturers & Traders Ltd., said it was natural for large foreign companies to set down roots in the European Community.

CURRENCY & INTEREST RATES

Cross Rates										Eurocurrency Deposits									
	Oct. 2	Oct. 1	Oct. 2	Oct. 2	Oct. 1	Oct. 2	Oct. 1	Oct. 2	Oct. 1	Oct. 2	Oct. 1	Oct. 2							
Amsterdam	1.94	1.93	1.93	1.93	1.93	1.93	1.93	1.93	1.93	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
London	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	1.72	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Paris	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
New York	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	1.28	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Tokyo	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	1.61	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Frankfurt	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
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Madrid	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Stockholm	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Oslo	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Warsaw	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Zurich	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Brussels	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Berlin	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Edinburgh	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Munich	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Prague	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Vienna	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Warsaw	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	
Zurich	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	1.63	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	3 1/2	

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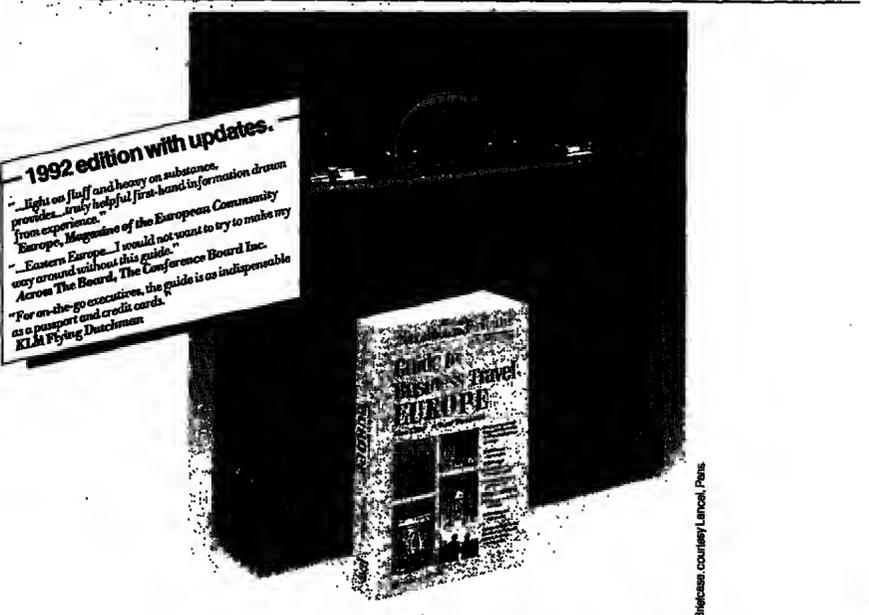
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MARKET DIARY

Weak Jobs Report Discomfits Street

NEW YORK — U.S. stocks lunged Friday under the weight of sports showing sluggishness in the economy.

The September employment report showed a smaller-than-expected loss of jobs last month and led to spur the cut in interest rates.

Foreign Exchange rates were mixed. The dollar fell against the yen and the mark, but rose against the pound.

The Dow Jones industrial average sank 53.76 to close at 3,200.61. It is its lowest closing level since April 8.

IBM, down 1 1/4 to 78 3/4, has fallen to a 10-year low amid concerns about the company's ability to compete in a tougher environment for computer makers.

JWP, a mechanical and electrical contracting and information services company, also said it may have to take additional charges against earnings after a review of its accounting practices.

Analysts agreed the Bundesbank, which announced no change in its minimal or maximal lending rates Friday, made an important concession by declaring that it intended to keep money market rates at just under 9 percent.

It's an unmistakable suggestion of a compromise between the conflicting concerns about domestic inflation and the desire to ease tensions within the European Monetary System.

Analysis agreed the Bundesbank, which announced no change in its minimal or maximal lending rates Friday, made an important concession by declaring that it intended to keep money market rates at just under 9 percent.

It's a de facto rate cut, agreed Reiner Marian at Hessische Landesbank in Frankfurt.

The Dow

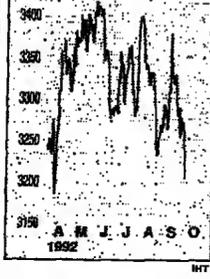


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Dow Jones Averages

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EUROPEAN FUTURES

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Industrials

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U.K. Auditor Rejects Report on

LONDON (Reuters) — The British auditor for the defense industry on Friday rejected the report of the U.S. Senate report criticizing their actions before the bank.

The auditor, Price Waterhouse, said that criticisms regarding the company were "a hotchpotch of hearsay, conjecture and unsubstantiated assertions."

The Bank of England replied in uncharacteristically strong terms in a statement that dismissed the subcommittee's four-year investigation released on Thursday, as "deficient."

TWA Again Delays Revamping Plan

WILMINGTON, Delaware (Bloomberg) — Trans World Airline asked a judge for more time to file its reorganization plan and request for an extension since the airline filed for bankruptcy protection in January.

In a motion made public this week, the company said it had a deadline to Dec. 10 from Oct. 12 would allow it to continue negotiations with the Pension Benefit Guaranty Corp. and municipalities with whom it has operations.

TWA said its creditors and unions agreed on the company's business plan and its "broad outline of a reorganization plan," but was still a need to review certain contracts.

General Dynamics Suit Dismissed

NEW YORK (Bloomberg) — A U.S. district judge in Manhattan on Friday dismissed a \$330 million lawsuit filed against General Dynamics by the U.S. government in 1985.

The U.S. charged that General Dynamics gave false cost estimates for ship construction when it applied for federal ship-building subsidies in the 1970s. Judge Kenneth Conboy said the government "failed to carry its burden of proof" in the case.

Orbital Sciences Gets SDI Contract

FAIRFAX, Virginia (Bloomberg) — Orbital Sciences Corp. says it has won a \$25.5 million contract for a Strategic Defense Initiative satellite launch in 1995.

Orbital said the order also came with options for four more launches, making the total possible value of the new contract \$125.5 million.

Computervision Slides on Lawsuits

NEW YORK (Bloomberg) — Computervision Corp. shares dropped more than 10 percent on Friday as the troubled engineering software company announced that "several" class-action lawsuits were filed against it "and others" in the aftermath of Computervision's \$600 million initial public offering Aug. 14.

On the New York Stock Exchange, Computervision shares fell 10 to 5 1/4. A spokesman for Keck & Co., a public relations company, said he had been told not to disclose any details of the lawsuits.

For the Record

E.W. Scripps Co. said Friday it would sell the Pittsburgh Press Co. as a result of unproductive negotiations to end a nearly five-month strike. Its talks with the Teamsters Union collapsed Thursday.

K mart Corp. will buy Borders Inc., a chain of 21 book stores in the Northeast and Midwest, in a swap of convertible preferred stock for all Borders stock outstanding.

Seagram Co. said Friday that William G. Pietersen would resign at the end of January as president of its Seagram Beverage Group.

Amoco Corp. said its Amoco Poland Ltd. unit signed the first agreement with a Western company for conventional petroleum exploration rights in Poland. Amoco will make an initial investment of more than \$20 million to buy new seismic data and drill exploratory wells.

DOLLAR: New Trouble for EMS?

Continued from first finance page) 380 DM Friday. But as the gloss faded about the employment data, it fell back to 1.4085 DM shortly after the close in New York, more than a penny lower than its Thursday close of 1.42 DM.

Against the yen, the dollar fell to 10.40 from 11.70 yen Thursday. Christopher Potts at Banque Indosuez in Paris was more sanguine about the dollar's prospects than Dr. O'Neill. "Another quarter-end reduction in U.S. interest rates," should there be one, "is not going to kill the dollar," Mr. Potts said. "I could see it stabilize in a trading range of 1.40-1.45 DM."

The performance of the dollar is critical to an assessment of developments within Europe as weakness can be expected to add to the strains of the currencies striving to hold their "fixed" exchange rate against the mark.

Analysis agreed the Bundesbank, which announced no change in its minimal or maximal lending rates Friday, made an important concession by declaring that it intended to keep money market rates at just under 9 percent.

It's an unmistakable suggestion of a compromise between the conflicting concerns about domestic inflation and the desire to ease tensions within the European Monetary System.

It's a de facto rate cut, agreed Reiner Marian at Hessische Landesbank in Frankfurt.

O & Y Offers Funds for Line

LONDON — Olympia & York Canary Wharf offered £395 million (\$687 million) to the British government to allow the Jubilee Line subway rail link between Canary Wharf and East London to be built, marking the first breakthrough in the rescue of the troubled development.

If the government accepts the offer, secured lenders to Canary Wharf also agreed to make funds available to cover the operating costs of Canary Wharf, the administrator of the office project said. Ernst & Young, the administrator, also said four top Canary Wharf managers had been laid off in its restructuring of the project announced Friday. They included the chief executive, Michael Demassus, were part of a total of 30 staff cuts.

(Bloomberg, Reuters)

U.S. FUTURES

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Grains

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Metals

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Stock Indexes

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WORLD STOCK MARKETS

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Paris

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Amstrad Plummets To £71 Million Loss

Compiled by Our Staff From Dispatches LONDON — The British consumer electronics group Amstrad PLC, battered by fierce competition in the low end of the personal computer market, said Friday that it had plunged to a pre-tax loss of £70.95 million (\$125 million) in the latest year.

Besnier Wins Nestlé Stake In Roquefort

Compiled by Our Staff From Dispatches PARIS — Besnier SA, a French dairy company, said Friday it would buy Nestlé SA's 57.3 percent stake in Caves de Roquefort for 863.0 million French francs (\$180.2 million).

Daimler Buys Into Ssangyong

Compiled by Our Staff From Dispatches BONN — Daimler-Benz AG said Friday that it was buying a 5 percent stake in South Korea's Ssangyong Motor Co., cementing a manufacturing agreement signed in January and strengthening the international position of Mercedes-Benz.

Saab Auto Sees Profit in 1994

AFP-Exel News STOCKHOLM — Saab Automobile AB will probably not make a full-year profit until 1994, its new chief executive, Keith Butler-Wheelhouse, said Friday.

low-cost Japanese van manufacturers in Southeast Asia. With this step the partners underline their intention to enter into long-term cooperation in the automotive sector, said Werner Niefer, management board chairman of Mercedes.

Investor's Europe

Table with columns for Frankfurt DAX, London FTSE 100 Index, Paris CAC 40, and various European stock indices with their respective values and changes.

Very briefly:

- The Russian Information Agency said Azerbaijan had signed a preliminary agreement with U.S. and British companies to develop oil and gas deposits on the Caspian shelf.

SCENE: Waiting for the President to Act on 2 Fronts

(Continued from first finance page) reserved his harshest words for trial lawyers. That ought to make the auto insurance reform drafted by Jeffrey O'Connell of the University of Virginia and Michael Horowitz of the Manhattan Institute pure campaign gold.

RATES: Steady Bundesbank Policy Dismays Markets

(Continued from first finance page) change-rate mechanism of the European Monetary System. Last month, economists had criticized the Bundesbank's fixation with a money-supply target as short-sighted and irrelevant.

been a source of concern among Germans reluctant to see their market replaced by a generic Euro-currency as part of a European economic union.

Amstrad Plummets To £71 Million Loss

Table listing various international funds and their performance metrics, including fund names, managers, and asset values.

Besnier Wins Nestlé Stake In Roquefort

Table listing various international funds and their performance metrics, including fund names, managers, and asset values.

Daimler Buys Into Ssangyong

Table listing various international funds and their performance metrics, including fund names, managers, and asset values.

Investor's Europe

Table listing various international funds and their performance metrics, including fund names, managers, and asset values.

Trafalgar Raid: Hong Kong Protection

Compiled by Our Staff From Dispatches

HONG KONG — Hongkong Land Holdings Ltd.'s purchase of a stake in the U.K. conglomerate Trafalgar PLC is the latest addition to an insurance policy against Hong Kong's reversion to Chinese sovereignty in 1997, analysts said Friday.

But Trafalgar House said it recommended shareholders reject Hongkong Land's tender offer for a further 15 percent of the company, Trafalgar said the tender offer "seriously undervalues" the company's businesses and assets, and the "inadequate price for a minority shareholding" offered by Hongkong Land "is not in shareholders' interests."

Hongkong Land, part of the Jardine Matheson Holdings group, made a tender offer on Thursday for 104,484 million shares, or 15 percent of Trafalgar, after buying a 14.9 percent block on the open market early in the day.

The additional 15 percent of Trafalgar will be bought through Hongkong Land's adviser, Robert Fleming & Co., for 85 pence (\$1.48) per common share or 82 pence per "A" share.

Hong Kong investors' initial reaction to the raid was frosty. Jardine group shares took a drubbing, with Hongkong Land dropping 80 Hong Kong cents on Friday, to 13.00 Hong Kong dollars (\$1.60), Jardine Matheson falling 50 cents, to \$1.50 dollars, and Jardine Strategic Holdings slipping 70 cents, to 21.50 dollars.

The negative impact of the announcement was put down to concerns about the poor track record of major Hong Kong companies that have invested in Britain in recent years.

The Jardine group, which is controlled by Britain's Keswick family, has been distancing itself from Hong Kong for some time. In 1984, Jardine shifted domicile to Bermuda and last month it switched primary listing status to London, only keeping a secondary listing in Hong Kong.

But the timing of the purchase may make as much commercial as political sense because Trafalgar shares, hard hit by the British recession, are trading at bargain-basement prices, analysts said.

(Bloomberg, AFX)

NASDAQ

Friday's Prices
 NASDAQ prices as of 4 p.m. New York time. This list compiled by the A.F. consists of the 1,000 most traded securities in terms of dollar value. It is updated twice a year.

Stock	Div	Yield	PE	High	Low	PA	Chg
IBM			12.5	125.00	124.00	124.00	-0.50
Microsoft			15.0	100.00	98.00	98.00	-1.00
Oracle			18.0	75.00	73.00	73.00	-1.00
Intel			14.0	85.00	83.00	83.00	-1.00
Sun			16.0	65.00	63.00	63.00	-1.00
HP			13.0	95.00	93.00	93.00	-1.00
Motorola			11.0	110.00	108.00	108.00	-1.00
Qualcomm			17.0	55.00	53.00	53.00	-1.00
Lucent			14.0	70.00	68.00	68.00	-1.00
WorldCom			12.0	80.00	78.00	78.00	-1.00
Sprint			10.0	90.00	88.00	88.00	-1.00
Verizon			9.0	100.00	98.00	98.00	-1.00
AT&T			8.0	110.00	108.00	108.00	-1.00
Time Warner			11.0	85.00	83.00	83.00	-1.00
Home Depot			13.0	65.00	63.00	63.00	-1.00
Wal-Mart			12.0	75.00	73.00	73.00	-1.00
Kroger			11.0	85.00	83.00	83.00	-1.00
Target			10.0	95.00	93.00	93.00	-1.00
Walmart			9.0	105.00	103.00	103.00	-1.00
Costco			8.0	115.00	113.00	113.00	-1.00
Amazon			14.0	55.00	53.00	53.00	-1.00
Netflix			15.0	45.00	43.00	43.00	-1.00
Spotify			16.0	35.00	33.00	33.00	-1.00
Twitter			17.0	25.00	23.00	23.00	-1.00
LinkedIn			18.0	15.00	13.00	13.00	-1.00
Facebook			19.0	10.00	9.00	9.00	-1.00
Google			20.0	5.00	4.50	4.50	-0.50

AMEX

Friday's Closing
 Tables include the nationwide prices up to the closing on Wall Street and do not reflect late trades elsewhere. Via The Associated Press

Stock	Div	Yield	PE	High	Low	PA	Chg
IBM			12.5	125.00	124.00	124.00	-0.50
Microsoft			15.0	100.00	98.00	98.00	-1.00
Oracle			18.0	75.00	73.00	73.00	-1.00
Intel			14.0	85.00	83.00	83.00	-1.00
Sun			16.0	65.00	63.00	63.00	-1.00
HP			13.0	95.00	93.00	93.00	-1.00
Motorola			11.0	110.00	108.00	108.00	-1.00
Qualcomm			17.0	55.00	53.00	53.00	-1.00
Lucent			14.0	70.00	68.00	68.00	-1.00
WorldCom			12.0	80.00	78.00	78.00	-1.00
Sprint			10.0	90.00	88.00	88.00	-1.00
Verizon			9.0	100.00	98.00	98.00	-1.00
AT&T			8.0	110.00	108.00	108.00	-1.00
Time Warner			11.0	85.00	83.00	83.00	-1.00
Home Depot			13.0	65.00	63.00	63.00	-1.00
Wal-Mart			12.0	75.00	73.00	73.00	-1.00
Kroger			11.0	85.00	83.00	83.00	-1.00
Target			10.0	95.00	93.00	93.00	-1.00
Walmart			9.0	105.00	103.00	103.00	-1.00
Costco			8.0	115.00	113.00	113.00	-1.00
Amazon			14.0	55.00	53.00	53.00	-1.00
Netflix			15.0	45.00	43.00	43.00	-1.00
Spotify			16.0	35.00	33.00	33.00	-1.00
Twitter			17.0	25.00	23.00	23.00	-1.00
LinkedIn			18.0	15.00	13.00	13.00	-1.00
Facebook			19.0	10.00	9.00	9.00	-1.00
Google			20.0	5.00	4.50	4.50	-0.50

هكذا من الأصل

THE REPORT

FIRST COLUMN

Long Term, The Focus Is Political

THE Bundesbank's decision Friday not to lower interest rates was almost an irrelevance in the longer term, according to some followers of the market. They argue that German rates can only go down from here onward.

There are merits, both superficial and more profound, to the argument. The first, and blindingly obvious, point is that German rates have hit highs unprecedented since the end of World War II. Given that German unification was exceptional, needing something as dramatic as the fall of communism to precipitate it, the reasoning that rates must eventually fall seems, despite its simplicity, persuasive.

The major factor militating against a long term fall in German rates is domestic, and political: The fear of Weimar Republic-style hyperinflation is still ingrained into the collective German psyche. And the feelings of the German electorate clearly outweigh the sentiments of non-German politicians in the minds of the politicians and their theoretically independent bankers. Sometimes this lack of consideration is well hidden. Sometimes, as evidenced by the international humiliation of the British finance minister, Norman Lamont, this week, it is out.

HOWEVER, those who talk German rates — and the Deutsche mark — down, also look to politics. They see a clouded political future for Germany. How will the country cope with the feared influx of refugees from Eastern Europe? This century has been, to stretch litotes to the limit, a less than compelling commercial for German cultural pluralism: If the refugees come, there will be trouble.

Another line of attack for German pessimists is to look at what the currency is valued against. If the mark is boosted by interest rates near a modern high, the dollar is dragged down by rates that are close to their lowest for 30 years, and will surely rise with a U.S. economic recovery.

On a long-term view, investors with assets in European currencies would do well to hedge a little into dollars.

M.B.

Heady Times for the Options Pro

By Conrad de Aenle

THESE are heady times for holders of currency warrants and options. Some series, notably those tied to the British pound, rose by many times the value they held in early September, before the peculiar psychodrama played out on currency markets, especially in Europe. But others went the opposite way, falling to a small fraction of their prior worth.

Warrants give holders the right but not the obligation to buy an asset, such as a currency, at a certain price by a certain date. They are highly leveraged, meaning it does not take much movement in the underlying asset to ignite a sharp movement in the warrant's value. A warrant is just like an option, although its shelf life tends to be longer, years rather than months.

Consider a warrant listed on the American Stock Exchange (Amex) that gives the holder the right to buy dollars with pounds. It more than doubled in value between Sept. 8 and 18, to \$5 from \$2.06.

In an even more striking example, an option traded on the Philadelphia Stock Exchange to sell £31,250 at \$1.50 apiece in October was worth \$344 on Sept. 3. Fifteen days later, after Sterling had lost more than 10 percent of its value against the dollar, the option closed at \$5.344.

But pity the poor trader who bought the right to buy that many pounds at \$2. During the same span, the value of that contract went from \$8,344 to just \$156.

This last example explains why, in spite of the huge profit potential of these highly leveraged securities, the message from traders to those hoping to cash in on the next installment in the chaos is: Don't speculate.

"These past few weeks have been some of the craziest times that market professionals have lived through; we had risk and volatility marketwide that exceeded expectations," said the head of the foreign exchange department of a large investment bank in London. "It's not a place for widows and orphans. Financial risk management is a game for professionals; it's tough for little guys to get on board. By the time they've read it in the papers, the move is over."

But the opportunities to get on board are multiplying. Just this week, Credit Lyonnais launched \$400 million worth of warrants (both puts and calls) on the dollar against the French franc.

For the moment, most of the investors who play the warrant markets are big. A spokeswoman for the Philadelphia exchange said September was likely to prove its biggest month ever in currency options. The market there, she added, is used almost exclusively by institutional traders.

The story was the same at Amex, which lists more currency warrants than any other U.S. exchange, including series based on the dollar's value against the yen and Deutsche mark.

During the week ended Sept. 18, average daily volume in the sterling warrants was 241,540, an exchange spokeswoman said, way up from 68,480 the week before, but the burst of activity was a fleeting phenomenon. "Our currency warrants, to tell you the truth, were not going bananas," said the spokeswoman, Shelly Wolfe. "The only one that was really busy, that made the most-active list, was the British pound warrants. During the first couple of days of the currency explosion, it was very active. We were seeing about 400,000 shares a day. It has since tapered off."

Most of the increase in volume on Amex was from institutional investors, floor traders said.

Notwithstanding the sobering warning on the obstacles amateurs face in using options and warrants, some traders say that if employed judiciously in a hedging strategy, they can serve as good vehicles for expatriates and others with foreign currency exposure who want to guard against maniacal swings of the type experienced last month.

"Customers can benefit a lot from options to protect themselves from volatile times like now," said Cameroon Millar, a currency options trader in London for the Royal Bank of Scotland.

A Briton who just took a six-month assignment in Germany, say, and is paid in Deutsche marks got a substantial pay raise in sterling terms, thanks to the pound's effective devaluation against the mark. If that wage earner is worried that the pound may rise from the ashes and wants to lock in that gain, he can buy a six-month sterling call option.

If the pound does indeed come back during that time, the option will likely rise in value, although that is not certain because of the premium over its intrinsic worth that must be paid. Should the pound keep rising to the bottom of the ravine, the buyer will lose the entire cost of the option, but his marks will be worth more pounds than before.

By buying the option, Mr. Millar said, the hedger "is limiting risk and can still get a benefit if it goes in the right direction."

Not everyone is as sanguine as he is about using this strategy. One American trader said, "You can always lock something in, but you better have a pretty good idea which way the market's going to go."

Those in Britain who think they have it figured out won't be able to buy currency warrants or options on either the Stock Exchange or the London International Finan-

cial Futures and Options Exchange. They'll have to go to the bank.

"Banks sell over-the-counter options personalized to the amount and date the person wants," Mr. Millar explained. When a bank writes such an option, it is effectively betting against its client. Even so, he said, "I'll be looking out for the customer's interest and quoting him the best price around." If he didn't, the client could simply go elsewhere. In effect, the banks are creating a liquid market by competing against each other for the sale of options.

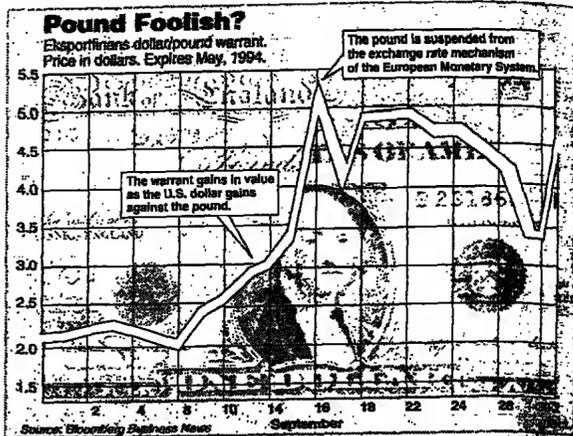
"Exchange-traded options are normally traded in larger volumes, but in price it actually should be about the same," he said, identifying the biggest banks in this area in Britain as Citibank, Barclays, Midland and Chemical.

The London forex executive, who did not want himself or his firm named because they normally do not counsel retail clients, is of a different mind. His advice is to steer clear of banks and head for the futures market, although the large contract sizes and, in some cases, unlimited risk might not make that an attractive alternative for many hedgers.

He also warned investors that "warrants are rather an expensive way to play currency markets. It's like the difference of IBM buying \$100 million or you as a tourist going to a bureau de change and paying 2 percent away from the price."

He was alluding to the premium to intrinsic value that buyers of warrants and options pay. Take the Amex pound warrant, issued by Exportsfinans A/S, an export lender that moonlights in the warrant business. It is intrinsically worthless as long as the pound is worth more than \$1.746, as it was through the latter part of last week.

An option or warrant premium is a func-



tion, in part, on the volatility of the underlying security. In this case a wad of British pounds. Volatility of sterling options has risen in the last month, so the premiums are higher.

Mr. Millar estimates that the increased volatility in one-month pound-dollar options during September raised the premium from 1.5 percent to 2 percent. It may be worth it, though, because higher volatility means higher risk, which was the whole point for considering buying them to begin with.

"Think of it in terms of insurance. The person writing the option, if it's more volatile, faces more risk and needs a higher

premium," he explained. For the buyer, "it's going to be more expensive, you're paying extra to protect yourself, but there's more risk of losing money."

One way to hedge and collect the premium, rather than pay it, is to sell short a derivative, that is sell it now and then buy it back later, with luck, at a lower price. Take someone from Britain earning dollars. He could sell short the Amex-listed warrants until they expire in 1994. If the pound stays the same or rises in value, he will keep the entire sale price of the warrants. If the dollar rises, he still has a cushion of several percentage points before he loses money, and his dollar earnings rise when measured in pounds.

In the Storm, Assessing the Managers

By Martin Baker

IN the beginning there was Finland. Financial analysts cite the Finnish decision of September 6 to give up trying to maintain the exchange rate with the German mark as the trigger for a month of madness in the world's currency, bond and stock markets. And now that the madness is beginning to quieten down, there are still more questions posed than answered.

For the brave (or maybe just foolhardy) investors who want to participate directly in the fast-changing, highly speculative markets, the questions are relatively simple, and relatively simply answered. After all, most investors usually at least think they know why they have made or lost money.

But the markets have thrown up a difficult question asked by investors who deserve a fuller answer. How have the supposedly expert fund managers fared over these turbulent times? More sober investors typically commit money to fund managers on the basis that the professionals know more than they do. Fund managers certainly take an initial and an annual bite out of the capital entrusted to them as remuneration, so how have they done?

The spotlight has fallen on the performance of derivative fund managers, some of whom say they enjoy turbulent markets because of the anomalies and exceptional opportunities they can offer. Some even make the scarcely credible claim that because of their so-called systems there really is no bad time to invest.

Unfortunately, the first fund performance figures do not bear out that kind of marketing hype. According to London-based mutual fund monitors Micropal, the very best fund investing in futures and options, run by GNT, managed a relatively modest gain of

Best and Worst Performing Futures and Options Funds

COMPANY	End of financial year	Earnings est. for '92 (financial year)	Last month's est.	% change	Last month's closing price	Current price	% change	P/E (est.)	No. of analysts (est.)
Britain's Worst									
WILLIS CORROON	12/92	10.21	14.48	-29.40	177	167	-5.60	16.40	14
BARCLAYS PLC	12/92	8.83	12.16	-27.36	299	310	3.70	35.10	20
STANDARD CHARTED	12/92	39.73	48.89	-18.75	390	405	3.80	10.20	15
ROLLS-ROYCE PLC	12/92	7.03	7.97	-11.89	137	128	-7.70	17.80	16
BICC	12/92	20.73	23.46	-11.62	262	249	-5.00	12.00	15
LADBROKE GROUP	12/92	14.33	15.42	-7.05	151	154	2.00	10.70	13
BANK OF SCOTLAND	02/93	8.56	9.18	-6.72	102	104	2.50	12.10	18
TATE & LYLE PLC	09/92	29.33	31.37	-8.50	308	299	-2.90	10.20	18
BRITISH GAS PLS	12/92	25.28	26.82	-5.75	235	231	-1.90	9.10	20
HILLSDOWN HLDGS	12/92	18.58	19.60	-5.21	105	79	-24.80	4.30	19
Britain's Best									
HSBC	12/92	37.83	35.14	7.95	327	351	7.30	9.30	13
GKN PLC	12/92	21.03	20.31	3.58	357	354	-0.80	18.80	15
LLOYDS BANK	12/92	34.37	33.35	3.07	395	408	3.30	11.90	19
BAT INDS PLC	12/92	51.29	50.15	2.28	738	764	3.50	14.90	20
SMITH, WH GROUP	05/93	32.24	31.84	1.55	405	402	-0.70	12.40	18
LEGAL & GENERAL	12/92	14.24	14.06	1.29	310	317	2.30	22.30	17
COOKSON GROUP	12/92	8.56	8.46	1.10	131	138	5.30	16.10	14
SHELL TRANS & TRDG	12/92	30.07	29.82	0.86	456	477	4.50	15.80	21
BRITISH AIRWAYS	03/93	36.39	36.09	0.84	241	272	13.10	7.50	19
PRUDENTIAL CORP.	12/92	14.53	14.44	0.62	231	244	5.60	16.80	18

Source: Micropal

14.33 percent in dollar terms over the month through the third week of September. That very respectable increase is modest in the context of the kinds of massive gyrations recorded by the derivative contracts in which the funds invest.

By the same token, the worst-performing funds have produced disappointing, but not catastrophic returns. Micropal cites GT Japan Warrant & Derivatives fund as losing more than 15 percent over the month, while the Govett U.K. Bear vehicle was down more than 17 percent. That is uncomfortable for investors, but compares favorably with the

position of speculators holding a single contract which moves out of the money when the market runs the wrong way. They could see their entire investment wiped out in a matter of minutes.

The average performance of the funds monitored by Micropal was a small negative of just over one percent, before taking account of charges.

"Derivatives funds are perceived as being at the higher end of the risk profile, but if they are well managed, that risk can be capped off. When they're well managed these funds are not as risky as people perceive them to be," said John Burridge, director of managed futures at GNT in London. Mr. Burridge expects that "discretionary" funds as opposed to trend-following vehicles will have done better in the last few weeks. First, because many of the markets have gyrated wildly without producing a trend, and second, "because discretionary funds have the luxury of not being in the market when the managers decide they don't want to be."

David Cobbold, managing director of Gaicorp, a London-based futures fund management firm, agrees that "trend-following funds will almost certainly not have done well. In September the markets just swept violently from side to side." Gaicorp's funds follow trends, but the firm decided that September would probably be a very volatile month and so "geared right down."

Mr. Cobbold believes that the reputation of derivatives funds as high risk vehicles will be reinforced by the events of the past month. His corporation's standard advice to individual clients is to place around 10 percent of their total investment portfolio in derivatives funds.

For the moment Mr. Cobbold regards the markets as still being very uncertain, but is "confident that they'll settle down into trends soon, and then we'll be off again."

Analysts' Estimates of British Company Results

COMPANY	End of financial year	Earnings est. for '92 (financial year)	Last month's est.	% change	Last month's closing price	Current price	% change	P/E (est.)	No. of analysts (est.)
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Source: IBES Inc.

Trust-Fund Drumming: Dublin Quickens Pace

THE competition for financial services business in Europe — already fierce ahead of the single market next year — has become a little fiercer thanks to the latest move from the Irish government. Ireland, which already enjoys tax-privileged status for investments domiciled in its Dublin International Financial Services Centre (IFSC), has decided not to tax private trusts for nonresidents.

The usual structure of the trusts involves the transfer of day-to-day control of cash, shares or other assets to trustees, who administer the funds in the fund.

The government has decided that private trusts for nonnationals

and nonresidents will not be subject to Irish tax laws. Industry observers comment that Ireland could now compete with well known offshore locations such as the Caymans, Jersey, or Bermuda for lucrative private trust management business.

The tax changes, which have been announced but are at least several months from implementation, are designed to boost Dublin's standing as a financial center. Dublin is already fighting a tough battle

with Luxembourg to be recognized as the pre-eminent location for mutual funds within the EC. Commentators estimate that the tax changes could eventually produce an extra 500 jobs at the IFSC. Prime Minister Albert Reynolds said: "This would bring Irish tax law into line with that of other European Community and Western European countries where freedom of trusts from tax is enjoyed by reason of residency or other criteria."

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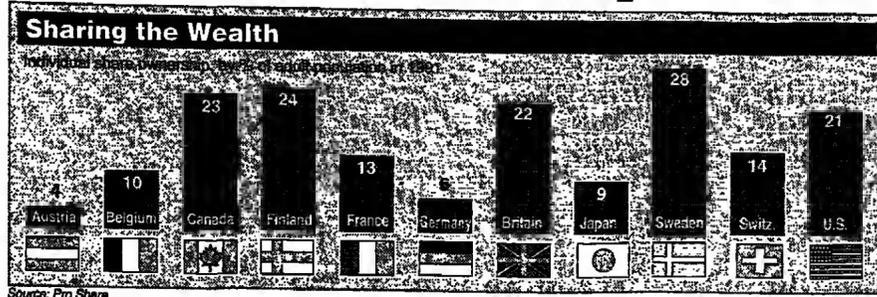
By Aline Soliman

FORGET the political and economic tensions as the bureaucrats try to unite Europe, in at least one important financial sense much of the Continent is now willingly traveling down the same path: Share ownership by individuals is on the increase from Gothenburg to Geneva. And as the idea of popular capitalism spreads, so regional stockbrokers are beginning to find themselves with a more international client base.

Take Britain as an example. More than 20 percent of British adults own shares, up from 9 percent in 1979. This surge in first-time investment in the market is largely the result of government policy. Massive sales of shares in previously state-owned companies and the tax advantages of private pension funds were designed to broaden share ownership.

Shares in state-owned companies from Sweden to Italy are up for sale and many governments are encouraging individuals to assume at least part of their pension payments. This should be good news for regional stockbrokers whose proximity is a big attraction both to first-time investors and to those disillusioned with the less personal service provided by firms that concentrate on corporate clients.

Increased competition among stockbrokers in the City of London followed the abolition of brokers' fixed commissions in 1986, better known as "Big Bang," meant that many of the bigger houses, such as Hoare Govett and Phillips & Drew (now UBS Phillips & Drew), no longer regarded the income they could make handling private client business as justifying the work involved. Many of these private cli-



Source: Pro Share

ents were directed to Britain's regional stockbrokers.

Charles May, a director of stockbrokers Wise Speke, based in Newcastle in northeastern England, said private client business at his firm grew "enormously" after deregulation.

"The deterioration of private client services in London and the inconvenience of traveling to the City has encouraged a lot of investors to consult their regional brokers," said Mr. May. "We are every bit as competitive as London brokers and we are able to concentrate on our private clients."

The Big Bang abolished the divide between stockjobbers — the individuals who placed orders on the floor of the stock exchange — and broker, who dealt with clients. Instead, a new screen-based trading system was introduced that functions on competing two-way quotes by market makers.

Decentralized dealing was further promoted by the increasing availability of low cost screen-based services. Most brokers can afford such systems, which can be set up anywhere. As one broker put

it, "all I need is a Reuters screen and I can deal from Tahiti."

Tahiti may still be an idle dream — that broker was speaking from his office in London — but Newcastle, is an entirely viable location for a private client stockbroker. Its viability is enhanced when the broker has a London office, as Wise Speke has.

"The problem with local brokers in the past was that they were out of touch with the market in London," said John Cobb, chairman of the London-based Association of Private Clients Investment Managers and Stockbrokers, or APCIMS. "Now many are part of a network with offices in London. There isn't much that regional brokers can't do."

Private investors have a tendency to move their investments around more than the big institutions — a habit that can be irksome to brokers who are intent on a quiet life. Private investors account for about 70 percent of the volume of trades on the London Stock Exchange but only 30 percent of the value.

However, the business is if not recession-proof, then at least recession-resistant. Divorces, children's school fees and inheritance planning bear little relation to the economic cycle but often require professional advice. Regional firms specializing in private client services have suffered far less from recession than their London counterparts.

John Henderson, chief executive of Capel Cure Meyer, Britain's largest private client stockbroker, said private client investors generate a relatively steady flow of business because "there is always something a private client wants to do." Some institutions just stop all buying and selling when the investment climate is poor, he said.

The brokers who gave up their private clients are probably regretting it now that times are hard," said APCIMS Mr. Cobb. But the exodus is unlikely to be reversed: more than half of private client transactions are now placed by firms outside London. Indeed, the only drawback from the client's point of view is that one's broker may also be one's neighbor: the personal attention of a local broker is able to provide a level of knowledge that may be disconcert-

ing when he is at the same dinner party.

Private client brokers in Britain divide into two camps, those who take care of high net worth individuals with established portfolios and those in business to attract first-time investors. Many of the latter offer execution only services: They are more exposed to competition from banks and their scope may be limited to new share issues. Very small regional brokers also may be unable to afford the technology and research capacity to compete head-on with their larger rivals.

Stuart Valentine, a director of ProShare, a London-based organization that aims to promote private share ownership, expects the number of private investors to decline in the next few years. "Brokers and banks are aware that wider ownership is coming to an end. They should ensure that the level of investment is deepened," Mr. Valentine argued that brokers stand to benefit more than banks, as the bigger investor more likely to boost a share portfolio tended to prefer brokers to banks.

For private investors elsewhere in Europe the choice is far narrower.

More individuals but their shares through banks while stockbrokers cater mainly for institutional investors. Independent investment advice is thin on the ground.

The European Commission's investment services directive, scheduled to come into effect early next year, is supposed to allow investment firms authorized in one EC country to do business in the others. But British private stockbrokers are unlikely to win many clients in the provinces of France and Germany, differences in investment regulation as well as cultural barriers make cross border sales improbable.

"British brokers would have to start from scratch on the Continent because there aren't any firms that are possible to acquire," said Mr. Henderson. "It would mean competing with the banks and in the present climate that is something most people would rather not do."

European stockbrokers have plenty of ground to catch up with if they are to draw level with their British counterparts. Private client brokers hardly exist in Switzerland while individual portfolio managers are able to operate only through corporate brokers, a route that generates prohibitive commission charges.

In Germany, 4.2 million shareholders, or 5.6 percent of the population, buy shares through their banks. Intermediaries like M&M Gruppe in Munich, a subsidiary of Deutsche bank, advise and place orders for individual investors but their clientele generally is limited to the very rich. France ranks second only to United States in the availability of mutual funds for the private investors but again shares are mostly sold by the banks.

Global Brokerage: Trimming the Fees

By Martin Baker

FIDELITY, best-known to investors as the Boston-based international fund group, has added another service to its expanding brokerage arm in a bid to achieve the group's stated aim of providing 24-hour global dealing facilities in stocks and funds to the international private investor.

The new International Investor Service, which is aimed at U.S. and U.K. expatriates, gets more than half way toward the goal of continuity. It is available from 8 A.M. to 9 P.M., U.K. time. The service is telephone based, so investors can call from anywhere in the world during those hours to place orders for the U.S. and European markets.

The principal feature of the service, apart from telephone dealing and commission rates that are relatively low compared to many U.K. brokers, is the link to an offshore money market account. Investors' accounts are linked to multicurrency offshore accounts with the Isle of Man subsidiary of the Bank of Scotland. Proceeds from the sale of stock, and any dividend payments from stock already held, are transferred automatically into the appropriate currency account. Interest earned on the balance is paid to the investor without deduction of withholding tax.

"The money market account is the linchpin of the service, allowing truly convenient cash management and cost-effective dealing in world markets," said Judith McMichael, U.K. director of marketing for Fidelity Brokerage.

Ms. McMichael added that Fidelity's research had shown that U.S. nationals often concentrated less on their investments when working outside the United States. "U.S. expatriates tend to put their investment affairs 'on hold' and tend to trade less when resident in Europe. Key obstacles to running an active portfolio are the difficulty and cost of gaining access to the market through a U.K. broker, as well as the scarcity of U.S. trading information. The expense of calling brokers in the United States and time differences also contribute to this inertia."

FIDELITY is also publishing a free guide to the world's stockmarkets to introduce the independent investor to global trading opportunities.

Investors can set up an account with £5,000 (\$8,500) or the equivalent in any major currency. There is an annual fee of £50, which will be waived for those subscribing before Nov. 31.

The minimum commission on trades in U.K. shares is £25. Fidelity claims its commission rates are less than half the rates charged by full cost brokers, and that the savings are especially large on U.S. shares. Trades on other markets — where Fidelity doesn't have quite so much muscle — are more expensive.

For more information, call Fidelity's U.K. base on (44 732) 838811. Investors in the U.K. have a toll-free number at their disposal, 0800 414191.

BRIEFCASE

Chicago Board Proposes Trade in Nine New Options

The Chicago Board of Options Exchange has filed for regulatory approval to trade index options based on nine industry sectors. Seven of the indices are compiled by Standard & Poor's Corp. The other two are the CBOE's own concoctions.

The index options are billed in a CBOE statement as "a low-cost means to achieve diversification or to hedge the risks of investing in certain sectors."

The exchange expects retail investors to be among those using the options, along with institutional players, such as managers of sector funds, for whom it says the indices will be standards against which the managers will judge their performance.

The S&P indices measure the movements of stocks of U.S.-based companies in the following industries: transportation, banking, retailing, health care, entertainment and leisure, chemicals and insurance. All the stocks tracked by the indices are members of the broad S&P 500 index.

The two CBOE indices measure environmental and computer software companies. Options on a third CBOE-developed sector index, of biotechnology issues, is expected to open for trading next month, once they are approved by the Securities and Exchange Commission.

The CBOE presently trades options in the S&P 500 and S&P 100 indices. Like those, the series that have been applied for would be settled in cash, the statement noted.

American Stock Exchange Asks to Streamline Indices

While Chicago seeks approval for its new contracts, the New York-based American Stock Exchange (Amex) is seeking to streamline the whole process. Amex has asked the SEC to approve a set of criteria used in the

development of new industry indexes. If the SEC agrees to specific criteria, this would theoretically leave the way clear for the introduction of industry sector indexes without seeking SEC approval each time.

"Investors will be afforded a more timely opportunity to express their sentiments," said the Amex chairman, James R. Jones, in support of the proposal.

Meanwhile, Amex is seeking clearance on a new contract, an option on its biotechnology index. Amex already trades a total of 291 stock options, plus options on five broad market indexes and three industry-based indexes covering stocks in oils, computer technology and pharmaceuticals.

T. Rowe Price Encourages Trend to Drop Sales Charge

The trend in the U.S. fund business away from sales charges got a little nudge from T. Rowe Price, a large no-load fund, when it took over six funds with total assets of \$546 million from the struggling insurance company USF&G.

Price said in a statement that it had merged the assets of five of the funds into Price funds with similar investment objectives. Assets of the sixth fund remain independent, but the name has been changed from the Over-the-Counter Securities Fund to the T. Rowe Price OTC Fund.

The five other USF&G funds, and the funds they have been merged with, are Axx-Houghton Growth, now part of T. Rowe Price New America Growth; Axx-Houghton Income, into T. Rowe Price New Income; RMC European Emerging Companies, T. Rowe Price European Stock; Axx-Houghton Fund B, T. Rowe Price Balanced; USF&G Cash Reserves, T. Rowe Price Prime Reserve.

The objective of the OTC fund, with \$173

million in assets, is to invest in smaller, growth-oriented companies. Price said, while also seeking out those that are undervalued by traditional measures. That double-barreled objective kept Price from merging the fund in to either its small-company growth offering or its more value-oriented small-company fund.

All of Price's funds carry no sales load or 12b-1 fees, so shareholders in the six funds, who had paid an up-front charge, can acquire additional shares without the load.

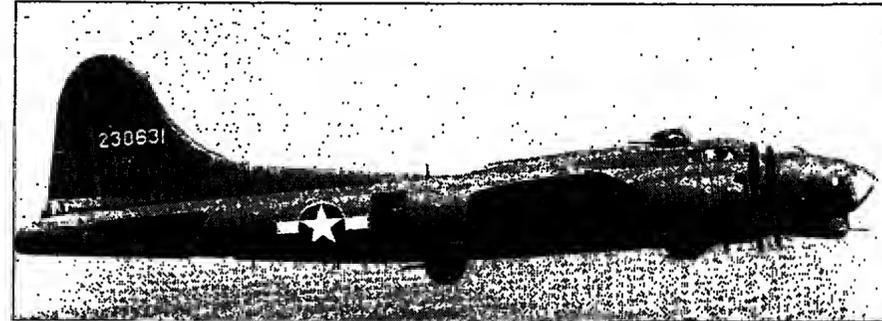
Expense Ratios: Study Tracks Impact on Funds

Extensive studies have been made of the effects of sales charges on fund performance (no-load funds tend to do better). Here's one on the impact of expense ratios — the percentage of assets deducted from shareholder accounts to cover salaries, advertising, marketing, administration and the like.

Donoghue's Moneyletter looked at the performance of funds over the three years that ended last Dec. 31 to see if differences in expenses made funds perform better or worse. The conclusion: They don't.

"There was an extremely low correlation between higher expense ratios and higher performance," Donoghue's said. "We could find no evidence to support the claim that higher expenses result in lower performance."

One exception was in bond funds. Average net return suffered as expenses rose, the study found. The reason for that could be that there is not as much variety in the stuff that managers buy for bond funds, compared with equity funds. Putting it simply, maybe too simply, bonds are bonds.



A Flying Fortress, similar to this one, has appreciated in value over 400 percent annually since 1985.

Vintage Warplanes Bring In Megabucks

By Philip Crawford

LIKE an impressionist painting or a piece of fine sculpture, a vintage warplane is usually bought by someone who feels an emotional connection to it, who wants to live in its presence. But the increasing value of such flying objects is apparently turning nostalgic pilots into bottom-line businessmen.

The number of people who buy old warplanes purely as an investment is ever-increasing, say aircraft brokers, who cite several reasons: The planes' historical value, currently emphasized by 50-year anniversaries of famous World War II battles; the finite number of genuine models on the world market; and, perhaps most important, the fact that values have followed a virtually steady upward trend for the past 20 years.

The same Boeing B-17 Flying Fortress that was bought for \$30,000 in 1985, for example, recently sold for \$1 million, or an annual return of about 42 percent, said Bruce Redding, a U.S. broker. "I've been buying and selling airplanes for over 20 years," said Mr. Redding, who runs a yearly auction of vintage warplanes at the Museum of Flying in Santa Monica, California. "In light of how the market has gone, I wish I still had every plane I've ever sold."

To be sure, most vintage warplanes are priced well out of range of the small investor. The most sought-after model, the North American P-51 Mustang fighter, of which about 150 remain airworthy, sells for an average price of \$500,000. A rarer Vought Corsair fighter, of which about 35 are still flying, recently sold for \$750,000. A rarer still Lockheed P-38 "Lightning" fighter recently sold for about \$1.75 million, according to several U.S. brokers.

But the high entry fee to the market appears to be offset by a track record of attractive return. P-51's, for example, have appreciated about 150 percent over the past decade. A Curtiss P-40 " Kitty Hawk" pursuit plane that sold for

\$740,000 in 1990 had been on the market for \$300,000 four years earlier. Generally speaking, say experts, most well-preserved World War II military aircraft have at least doubled in value over the past decade.

"With a slight falloff over the past year-and-a-half, which is at least partially due to recession, the curve has been steadily upward," said Mark Clark, an Illinois-based broker. "And I think it's going to continue in that direction. With interest rates being as low as they are, I'm not surprised that investors are looking toward more unorthodox vehicles as long-term investments."

A market in lesser-priced World War II vintage aircraft may be developing among smaller investors, say some brokers, particularly in models that were used to train fighter pilots. Some training planes can be had for as little as \$25,000, although the probability of them appreciating in value apparently involves considerably longer odds.

Non-U.S. vintage warplanes are also part of the market. A well-known collector, Messerschmitt 109, the Luftwaffe's protagonist during the Battle of Britain, currently sells for about \$850,000. And the most expensive model? "If you could find a flying Zero, it would bring at least \$2 million and would definitely appreciate in value," said Kent Sherman, a Florida broker. The Zero fighter plane, manufactured by Mitsubishi, led the Japanese assault on Pearl Harbor in December 1941.

Another area of military memorabilia is much more accessible to the average investor: Medals won on the battlefield. And the market is thriving, say experts, particularly in Britain. A Sept. 17 auction at Sotheby's in London brought a total of about \$90,000 (\$159,300 for medals, and two days later a record was set when an unidentified buyer paid \$132,000 for a set of three medals awarded to Major Edward "Mick" Mannock, Britain's highly-decorated World War I flying ace who was killed in action in July 1918.

As with vintage warplanes, those who buy medals are often first in-

terested in them from a collector's viewpoint, later discovering that they have investment potential, say collectors. Although not coming close to the appreciation levels of warplanes, classic medals have nonetheless demonstrated an ability to offer a creditable return. A campaign medal from the 1815 Battle of Waterloo, for example, where Napoleon I was defeated by combined British and Prussian forces, once typically fetched about \$450, three times what it brought just 18 months ago.

"All you need is for a few people to start buying, and then others join in and prices start going up," said Andrew Litherland, medals expert at Spink & Son, a London fine arts dealer. "And one nice thing about medals is that you can start up a nice collection with as little as a few thousand pounds."

One reason for the lively market in U.K. medals, say collectors, is that virtually all are engraved with the name, rank, and unit of the awarded individual, thus opening up a world of research potential concerning his life. "Many military medals issued in the U.S. and in continental Europe are issued with no name on them," said David Erskine-Hill, Sotheby's medals expert. "So you've just got a medal that you can hold in your hand and stare at, but with no story behind it. It's a shame, because one of the forces which moves this market is the importance of the man behind the medal."

Any award for service in one of the classic military events of British history is highly sought-after, experts say. Medals from the Battle of Britain, the 1854 Battle of Balaklava which included the "charge of the light brigade," and the 1805 Battle of Trafalgar where Admiral Horatio Nelson overcame Napoleon, for example, are all expected to appreciate in value.

While the majority of classic medals are indeed expected to appreciate, anomalies do crop up. A long-discontinued Russian military award called the Order of Lenin, for example, had a market price of about £1000 several years ago, said Mr. Erskine-Hill of Sotheby's. But

as soon as the Berlin Wall fell, a new surfeit appeared on the market, lowering the medal's value to about £150. Forgeries also abound in the medal market, add others, necessitating meticulous verification of an item's authenticity before buying.

"You've got to be extremely careful," said Norman Brooks, Secretary of the London-based Orders and Medals Research Society, a 50-year-old collector's group which has about 2,800 members. "True, the classic medals tend to always appreciate, but you've got to be sure you've got really good stuff. The rest of the market fluctuates, just like any other, and there's always the chance that you'll lose everything."

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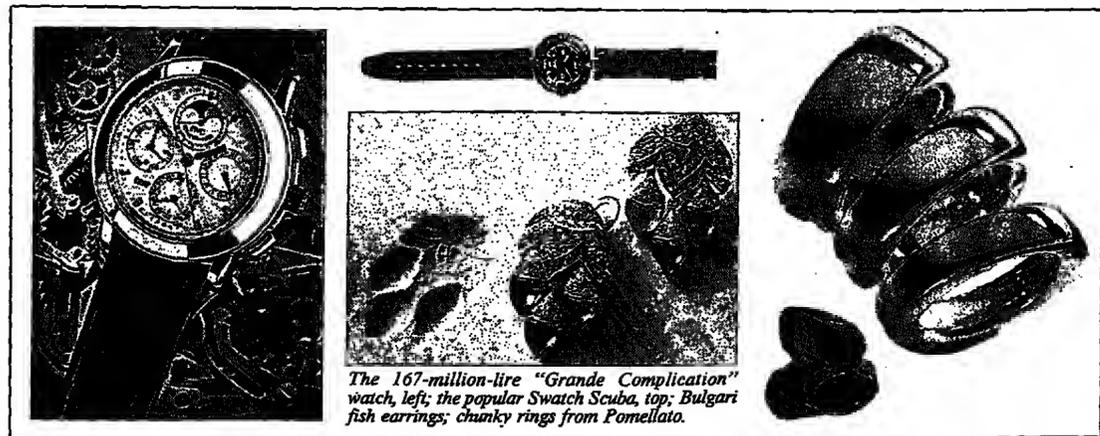
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Italian Fashion



The 167-million-lire "Grande Complication" watch, left; the popular Swatch Scuba, top; Bulgari fish earrings; chunky rings from Pomellato.

Treasure Hunting in Milan's Jewelry Fantasyland

By Richard Buckley

MILAN — Italy's scores of jewelry stores are probably only outnumbered by the country's infinitude of espresso bars. According to the Club degli Orafi Italia, Italians are the world's biggest consumers of gold, watches and jewels.

The group reports that more than 51 million pieces of jewelry were produced here last year with an industrywide turnover of 15 billion lire (over \$13 million). With around 18,000 shops in Italy (as compared to about 8,000 in France), it would appear that the Italians take their bijoux seriously.

In fact, women are as apt to go to the butcher, swim in the sea or exercise at the gym wearing as much jewelry as they would for a dinner with the Apollo. And what they wear — and that includes even the supermarket cashier — is the real thing. Gold is almost never less than 18 karats.

Shopping for a wedding band or hoop earrings in a city like Milan, therefore, is as easy as ordering a cappuccino. The challenge is in finding the best and the most unusual items.

When the Milanese speak of their city's tradition and fine jewels, they refer to the institutions of Farone (via Montenapoleone, 7/A) and Calderoni (via Montenapoleone, 8), where everything is handmade from precious metals and gems and the prices go from reasonable to no limit.

Farone also carries a line of imaginative men's jewelry designed byeppe Modenese, who is often called the "father of Italian fashion."

Bulgari (via della Spiga, 6) is an international leader in fine jewelry and its style is identified by the unusual use of alternative materials and the rich combination of colors, by mixing precious and semiprecious stones. Diamonds, pearls, pink rubellite and mother-of-pearl are worked into a brilliant confection in fish earrings, for instance. These jewels from the Natura collection are part of the company's larger environmental concerns. For the status-hungry, Bulgari is introducing its new square-faced "Quadrato" watch this month.

Marina B., as in Bulgari, is a cousin who struck out on her own. The shop (via Montenapoleone, 27/E) features the opulent "Ficus" earrings with interchangeable agate or quartz pendants (they are the handles of choice for New York's charity circuit crowd), as well as pieces like the sporty "Opla" necklace, whose gold ball and chain design is a clever play of movement and shape. (Earrings start at 12.5 million lire and the necklace, 11 million lire.)

Rings are Sara Scavia's specialty (via della Spiga, 9). They are handmade and usually one of a kind, because of the size and the richness of the diamonds, emeralds, rubies and sapphires. Prices begin at 40 million lire.

Pomellato (via San Pietro all'Orto) takes a modern approach to its fine jewelry, highlighted by soft, sensual forms that "play on the skin," says creative director Sergio Silvestris. This fall, Pomellato's collection features a group of collegiate-style gold rings with large cabochon stones.

Hedy Martinielli (via Fiori Chiani, 16) and Maria Grazia Baldoia (via Fiori Chiani, 14) recycle the past to create something new and striking for women of refined tastes. Martinielli, for instance, takes a simple gold cuff

made in the 1940s and has it set with large amethysts and emeralds; Baldoia reworks 18th-century Chinese objects into modern designs.

There is a strong market in Milan for antique or period jewelry. Perhaps the best known is Carlo Eleuteri (via Sant'Andrea, 7). Eleuteri specializes in precious pieces from the 1920s, '30s and '40s, some of which are currently on loan to the Van Cleef & Arpels exhibition in Paris. Other notable jewelers of period pieces include Pennisi (via Manzoni, 25) and DAST (via Manzoni, 12).

Il Vendoro (Corso Venezia, 2) is a bazaar chock-full of commercially designed and priced items in gold and silver. It is a good place to pick up a pair of hoop earrings with interchangeable pendants that are omnipresent on Milanese women.

NEED a diadem for the opening of La Scala's Bijoux de Paris-Burma (via Manzoni, 12) has them in paste for around \$130, and stocks all the other accoutrements. Some of Milan's fine jewelers say the quality and prices are not bad for fakes but advise sticking to "diamonds," colored stones are easily detected as false.

Donatella Pellini (via Morigi, 9 and via Santa Maria alla Porta, 13) makes sophisticated costume jewelry. For fall, Pellini likes big fantasy rings and a long necklace assembled from an eclectic and colorful mix of resin, crystal and glass beads. She also offers a collection of Victorian-style necklaces, earrings and bracelets, very much in the mood of "Bram Stoker's Dracula." Francis Ford Coppola's film soon to be released. Cw/ Sharna Pagano (via della Spiga, 7) is probably Milan's best-known costume jewelry emporium, carrying baubles by designers Giorgio Armani and Franco Moschino, as well as a private-label collection that for fall includes antique-looking gold earrings en-

crusted, mosaic-like, with tiny seed pearls. Italy is in the grip of Swatch frenzy, and most mornings before the shop opens (via Montenapoleone, 14) a crowd is already outside. In the afternoons it is the same thing. Why the fuss over plastic watches? First, the special editions, in lots of 50,000, are collector's items. It has been reported that the "Kiki Picasso" created in 1985 by a French artist, is worth as much as 50 million lire. Second, as packed as the store gets, there is remarkably little in stock.

Those who are there when the shipments come in can buy and then resell on the street for much more. Certainly just as collectible and more chic is Bulgari's black plastic "service watch," which is not for sale and is given to customers as a replacement while their timepieces are in the shop for repairs. There are many watch shops in Milan, but there is only one Fiume (via Manzoni, 39), which has been in the same location since 1867. For Italians, Fiume is a serious place to buy watches.

"Milanese men prefer them to be Swiss, only of the highest quality and price," said the store's manager, Francesco Cavagna. The men like them big, heavy and mechanically complicated, and it is now very fashionable for women to buy sporty, mannish watches, he added. Top sellers are by Audemars Piguet (7 million to 50 million lire), Breguet (10 million to 90 million lire) and the International Watch Company's appropriately named "Grande Complication" in platinum, which retails for 167 million lire.

"They make about five a year and we sold three in July," Cavagna says, sounding neither shocked nor impressed. "There's a lot of money in Milan," he says shrugging, "that's just the way it is."

RICHARD BUCKLEY is European editor for Mirabella magazine.

Parisians Accept a Style Lesson Fabrics With Reach-Out-and-Touch Appeal

By Alexander Lobrano

PARIS — Every so often an Italian or two crosses the Alps and surprises the French with a lesson in style — Leonardo da Vinci, for instance, whose multifaceted genius awed the French court; Marie de Medicis, wife of Henri IV, who vastly improved French cuisine; and more recently, a flock of Italian fashion designers and clothing manufacturers.

These latest arrivals, including Giorgio Armani and Franco Moschino, Dolce & Gabbana, Max Mara and Genny, are increasingly winning the hearts and racks of Parisian retailers, who rejoice not only in the unflagging salability of Italian clothing during the current recession, but also report solid sales increases for their Italian labels. Some feel that this is perhaps because the Italians have a more accurate reading of the needs of contemporary women.

After years of phenomenal success in London, New York and Los Angeles, Giorgio Armani is just now beginning to enjoy recognition from hard-sell Parisians, who are buying and wearing his clothing in large numbers. His popularity has been growing steadily ever since the lavish "debut" dinner he staged at the Musée Rodin in September 1989 for the city's beau monde and press community.

Much of what appeals to Parisian women about Armani's lines is characteristic of what Parisian retailers like about Italian clothing in general.

"The Italians produce very modern, practical clothing that especially appeals to the working woman," says Christiane Ducani, owner of a boutique by the same name in the upscale Paris suburb of Neuilly. Ducani, whose best-selling label is Mani, one of Armani's more modestly priced labels, says that Mani sells well because "it's chic, elegant and *jamaïs de trop* (never too much), and it works perfectly around the clock."

Like many Parisian retailers, Ducani is a great fan of Italian fabrics and sees them as a major selling point.

"My clientele is very B.C.B.G. [*bon chic, bon genre*, the Parisian equivalent of American preppies or British Sloane Rangers] and they love the look and comfort of the supple fabrics the Italians do so well."

The reach-out-and-touch appeal of Italian fabrics is considered to be very important by Parisian department stores, too.

"We find that women are fascinated by Italian fabrics — they really notice the material — and that this sort of sensual response, the desire to touch something, makes this clothing easy to merchandise," says Agnès Vigneron, chief department manager for women's wear at Galeries Lafayette.

"Of course, along with fabrics, the other great strength of the Italians is their color sense. Their earth tones — beiges, grays, reds and browns — make perfect backdrops for the accessory dressing that is today more than ever the key trend in Paris," Vigneron works closely with CFT, the huge Turin-based clothing manufacturer.

Asked why the Italians are faring so well during tough times in a city that has historically preferred its own designers, Vigneron said, "Women today don't want to be overwhelmed by their clothing — no one wants the dress to attract more attention than they do — and the Italians have a fine understanding of the subtlety."

She also mentions what every other Paris retailer mentions — the fabrics, the colors, the simplicity of line in much of the clothing, the quality of the manufacture and the reliability of deliveries.

Putting all of this in perspective, the owner of a well-known Paris boutique, who does not wish to be named, commented on why 60 percent of his merchandise is of Italian design or manufacture.

"The quality of French ready-to-wear is generally rather poor, and this is after French industry has been trying for years to pull itself together. On top of this, the deliveries are frequently ragged and French-

'Simplicity is hard to find in France. . . in Italy it's sensual and soft and happy.'

made clothing is often much too expensive in terms of the quality of the finish and the fabrics used in fabrication."

From a creative point of view, the French find the Italians interesting, too. During the crucial *remise* season at the beginning of September when Parisians return to town from their August vacation, the leader-of-the-pack boutique Victoire featured Franco Moschino's Cheap and Chic lines and Dolce & Gabbana in its windows.

Françoise Chassagnac, owner of boutiques, says: "We buy slightly avant-garde clothing, and the Italians, such as Moschino, Dolce & Gabbana, Romeo Gigli and Callaghan, are very strong in this niche right now. It's clothing that's different without being threatening."

For this season, Chassagnac is especially pleased with the new line of clothing from Loro Piana, the Italian cashmere house. "Their blazers and coats are delicious," she says, and then, commenting more broadly on the appeal of the Italians, "Simplicity is hard to find in France, and when you do find it here it's often overly intellectual, whereas in Italy it's sensual and soft and happy, and this is what I think we need right now."

Maria Luisa, of the Maria Luisa boutique in the rue Cambon, admires the Italians, but has dropped Moschino's Cheap and Chic because "my clientele would buy it once as a joke, but not a second time. I also have a suspicion that a lot of the people who buy this clothing don't even know that there's a joke going on."

She has also dropped Romeo Gigli — "His beautiful baroque mood just isn't in sync with the times anymore" — but is very enthusiastic about Costume Nationale by Ennio Capasa.

"Wild elegance is the style of this line, a black-crope dress, completely simple, worn with a leather jacket, for example," Maria Luisa said.

Doing a large business in Genny and Moschino, among other Italian designers, Parisian retail maestro Jacques Samson, the director of four Paris fashion boutiques including A La Ville du Puy and Light, said, "Look, it's simple. Their factories are superb, the quality is outstanding and the fabrics are beyond compare. That's the real bottom line on Italy."

ALEXANDER LOBRANO is a journalist based in Paris.



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Milan: If Business Is So Bad, Why Is It So Good?

By Suzy Menkes

MILAN — Every cloud has a silver lining for Italy's fashion industry. The home market has been hit by recession — well after the rest of Europe and the United States — but the export business is looking up, because the devaluation of the lira makes Italian goods up to 10 percent cheaper in the major overseas markets.

Psychologically, too, Italy has an edge, because the clothes it makes have the quality and lasting elegance that people turn to when times get tough.

But that is not to say that the high-profile Italian designers have gone uncharacteristically quiet. This season has witnessed a fashion mega-blitz in New York by the Istituto Italiano per il Commercio Estero. The lavish and controversial "Discovery of Italy" promotion, which took over the Armory building on Park Avenue as a monthlong showcase, had a dramatic impact, from Valentino's ritzy celebrations for his 30th-anniversary exhibition to Gianni Versace's Rock 'n' Rule extravaganza.

"The Italians have taken New York by storm over the last few weeks," said Ellen Seltzman, fashion director of Bergdorf Goodman, before leaving for the Milan collections this weekend. "But then again, Italian ready-to-wear has been taking America for the last 10 years. Italian fabrics, the leather goods, the tailoring are all superb — their quality is the best."

Kalman Rottenstein of Bloomingdale's underlines the effect that fashion energy has had on revitalizing sales.

"Italian fashion is having a stellar season at Bloomingdale's this fall," he said. "Armani is having its best season ever, and lines like Comptone — designed by Dolce & Gabbana — and Versace's Jeans Couture have added energy and verve. The customers are responding."

What went right? Only last season, Milanese designers were in a soul-searching mood as sales were shrinking and the fashion focus seemed to have switched to Paris. It is true that the French shows have a cutting edge of creativity and are the international forum. This will be evident next season, when Paris will kick off the show season.

The collections will open at the end of February, followed by Milan in its traditional early-March slot. But this may work to the advantage of Italy, which can then concentrate on its basic strengths of fabric, make and quality.

The captains of the Italian fashion industry claim that the devaluation of the lira as Italy pulled out of the European Community's exchange rate mechanism is a good thing.

"It's a breath of fresh air," says Aldo Pinto, president of Krizia. "With the lira down and the dollar strong, prices will be slightly better than last season — and that applies, too, to other markets like Switzerland and Germany, which is our third country for exports after Japan and the U.S.A. We are having a good season with a lot of orders and I feel positive. There is still a market for luxury goods."

But in spite of his bullish words, Pinto admits that the buoyant home market, so long a source of wonder in the fashion world, has deflated.

"For the first time in all these years we are



feeling the recession — and it's really frightening," said Pinto. "A lot of it is psychological, because the money is still there, but people are nervous and don't want to be seen spending it. We went to Bice last Sunday, which is a family night out, and the restaurant was half-empty. Then there was a story in the papers about someone driving a Mercedes being attacked for not having an Italian car. There's a whole new mood in Italy."

Luigi Maramotti, the president of MaxMara, agrees that Italy, which had seemed to be untouched by the world economic crisis, has finally succumbed. — although he says that there was no big decrease in domestic fashion consumption up to April/May 1992.

"I am not pessimistic," said Maramotti. "There has been a change in attitude toward buying, but not a dramatic fall. In general, I belong among those who thought that the lira should have been devalued by 10 percent six months ago. We are a company strongly directed toward exports, and we do not import a lot of raw materials except some silk and wool. All this is positive for the textile industry. What is more difficult to assess is what will happen to the Italian economy with internal inflation and the cost of labor."

MaxMara, which shows its spring/summer line Sunday in Milan, has built its success on a

quality product with a flip of style, and on charting changing consumer tastes through its own flagship stores. Maramotti says that he has been "careful" in the U.S. market, because he finds the distribution system weak, but that he believes in the British market, cited by many fashion companies as a terminally hard sell.

Since Britain's pound has gone down like the lira, can the Italians hope to gain an export advantage in England?

"We are expecting positive growth in all our Italian collections," said Anne Fisher, fashion's divisional manager at Harrods. "There is a renewed interest in the Italian look now that it is fluid and not so structured and the soft colors are different from the fashions from Germany and France. My customers are interested first in style, then in quality and then price."

"When women see the color palette, the quality and luxury of the Italian fabrics, then they buy," she said. "MaxMara is probably the best value for money, but Orzob, Byblos and Genny are all selling because they are so exciting. Nothing sells today unless it is really desirable."

Seltzman agrees that Italian design talent is the key to making merchandise move, citing "the special clean attitude of Giorgio Armani, the showbiz of Gianni Versace, the glamour of Valentino, the wit of Dolce & Gabbana and Franço Moschino."

Yet the strength of Italy is also in the up lines, the more affordable secondary lines. Pinto says that Krizia's lower priced lines are "up on last year even in Italy." Milan has also pioneered the idea of putting these lines on the runway: Armani's Emporio line is shown Monday and Versace stages a presentation for Versus Tuesday — both in advance of the designers' main lines.

The Marzotto fashion group has brought a luster to secondary lines by focusing on quality and style at an accessible price. Their stable includes Gianfranco Ferré's Studio 000.1 line, Missoni Donna, and two lines — Laura and Risposte — from Laura Biagiotti. Ferré will also start worldwide distribution of its Italian secondary line, Ferré 365, the name inspired by the idea that the clothes are appropriate for every day of the year.

And there is another sign of confidence in Italian fashion's future. Sergio Girombelli, architect of the success of the Genny group before he split with his sister, Donatella, is setting up a new fashion business in Ancona this month. He will launch early next year his first collection for men and women for autumn 1993.

SUZY MENKES is the fashion editor of the International Herald Tribune.

A fresh look at pants for spring/summer 1993: stripes from the Missoni Donna collection, above; soft tailoring from Biagiotti's Risposte line, far left; and Ferré's Studio 000.1, all produced by Marzotto.

For Textiles, 'Horn of Plenty Is Empty'

Fabric Producers Readjust to Face Competitive Market

By Michèle Loyer

PARIS — Their list of clients reads like a Who's Who of the top fashion houses of Milan, Paris and New York, but for the first time in years, Italian fabric producers are feeling the pinch of recession.

"We are condemned to become increasingly professional. The horn of plenty is empty. Now we must help our clients to survive," said Riccardo Mantero, president of Gruppo Mantero SpA, one of Italy's largest textile companies.

According to FederTessile, the Italian textile syndicate, the figures for the first semester of 1992 show a loss of 2 percent on the exports of silk fabrics, a situation that has resulted mainly from the increase of finished goods imported from Third World countries.

The competition will be fierce this weekend as the Italians show their wares, along with hundreds of other suppliers from 15 European countries, at Première Vision, the huge biannual fabrics fair in Paris.

This time, however, it will take more than creativity, charm and even a devaluation of the lira for the Italians to emerge from the doldrums. Only those textile companies with enough professionalism to meet the changing demands of the market will survive.

"I love working with the Italians," said Christian Lacroix, whose exclusive fabrics are often made in Italy. "Their artistic sense and enthusiasm make them willing to try almost any new idea. They never say it is too difficult," he said. "They also have that rare combination of an artistic approach and sophisticated technology," Lacroix added.

Françoise Bernard, who selects fabrics for the design house of Karl Lagerfeld, agrees.

"The Italians are the best colorists. They are terribly creative; they never stop coming up with new ideas," she said.

But the words that formerly described the Italian weavers — creativity, willingness to experiment, friendliness — may no longer be enough to make them prosper in a recession.

Instead, Italian industrialists now talk of their quality/price ratio, a more pragmatic response to the new demands of the market.

Gruppo Mantero SpA is the world's leading producer of silk fabric for women's wear, men's ties and scarves with a work force of 1,200 in an organization that covers the entire production cycle of yarn twisting, weaving, dyeing and printing. The group exports 60 percent of its products and last year posted a turnover of 330 billion lire, or about \$260 million.

Despite its size, Gruppo Mantero has recently gone public — it is a traditional family business founded at the end of the 19th century by the grandfather of its president, Riccardo Mantero, the oldest of the five sons.

Mantero, who is in charge of strategic planning, has to react to changing conditions in the market.

"Creativity for its own sake is finished," he said. "It is being replaced by consumers' needs. Quality and price have become the prime factors of success."

A true believer in the pan-European concept, Mantero has anticipated the 1993 open market by buying 70 percent of the shares of the German textile mill Pegasus, part of the Treus group that does business with Eastern European countries.

Another major Italian producer, Loro Piana, specializing in cashmere and extra-fine wools, has recently acquired an American company, Warren of Stafford, a leading producer of camel hair fabrics, to expand its range of luxury products. Founded near Biella in 1812, Loro Piana now produces 2.8 million meters (more than 3 million yards) a year with a turnover of 184 billion lire in an industrial structure that includes everything from the treatment of raw materials to spinning and weaving for its four divisions — men's wear, women's wear, hand-knitting yarns and women's scarves.

"Even if the luxury goods sector is shrinking, people will continue to want quality and not only in Italy, where people are more quality-conscious," said the firm's president, Sergio Loro Piana. "Creativity can have many definitions. In our case, it is totally linked with technical advances like extra-light fabrics for men's wear that have revolutionized the suit concept."

Loro Piana added that after the artificial price inflation of the 1980s, the market is now sobering up. But the slump has had one positive effect, he said: The price of cashmere and wool has remained stable, or, in some cases, gone down.

Part of the global strategy of the Loro Piana group is launching a new engineering division that will exchange the firm's expertise and technical know-how in developing countries for a guaranteed supply of raw materials.

The company has just built two spinning mills in China and Uruguay.

Mario Boselli, president of the Italian producer in silk and synthetic knits that bears his name, believes that the future of the Italian textile industry lies in an alliance between creativity and technology.

"The Italian weakness — labor cost — on the rise since the '70s, has had a beneficial result: It has forced us to invest heavily in technology," Boselli said.

With seven factories located between Lake Como and Lake Garda, the company employs 350 people and has a production of

1.74 million meters a year with a turnover of 65 billion lire in 1991.

This year, Mario Boselli made a spectacular breakthrough that has since turned into a large commercial success: the first machine-washable viscose. Viscose has been a fashion favorite for several seasons but its poor washability was a serious handicap for manufacturers. "We made it washable by working on its whole cycle, from the yarn to the dyeing stage," said Boselli.

What are clothing manufacturers really looking for in today's depressed market?

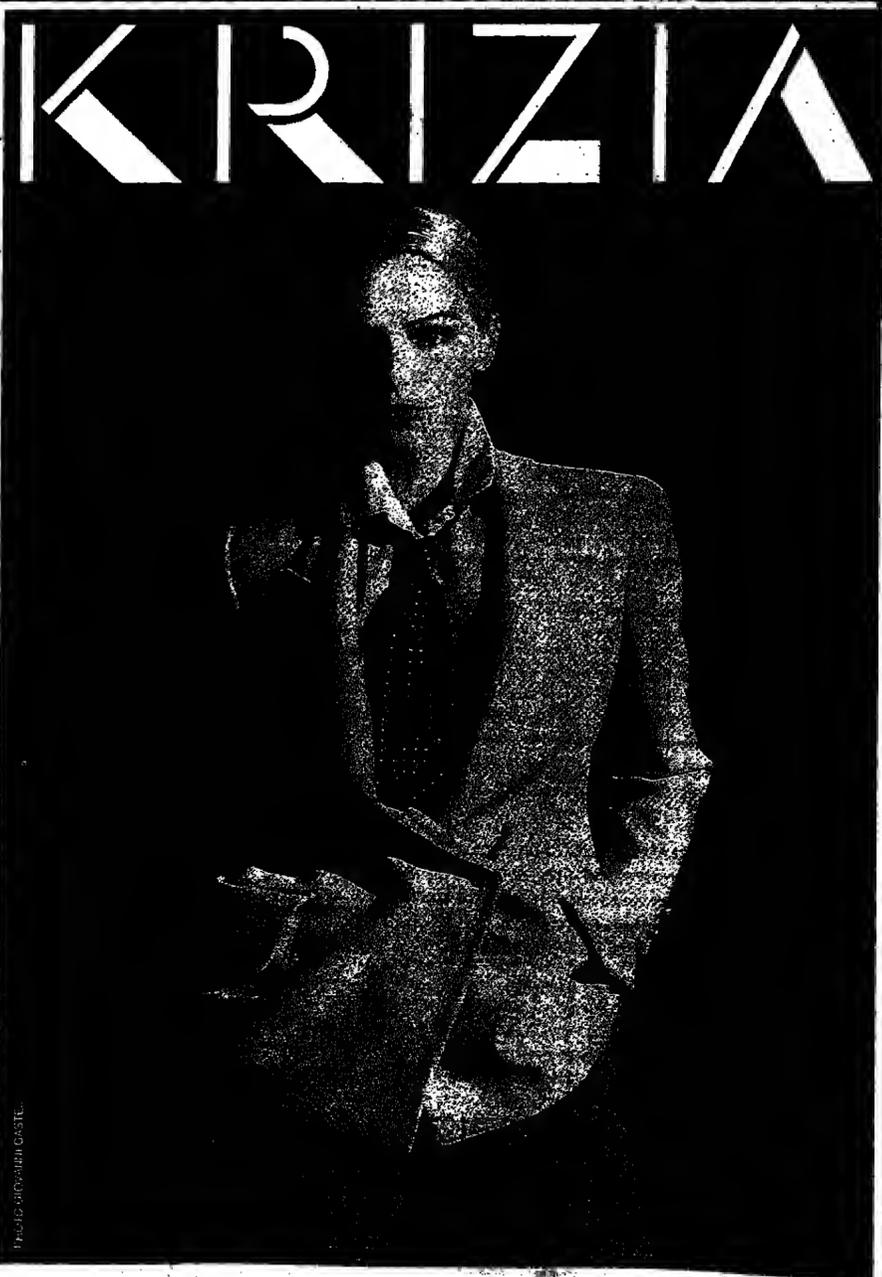
Nothing less than the impossible, said Marie-Christine Jeanneret, a fabric agent who represents Braghenti, a high-quality linen line. She is hopeful that, out of Braghenti's line of some 800 patterns there will be at least one potential winner that will result in thousands of meters of sales.

"The difference between a lagging pattern and a best-seller is often very slim and has as much to do with technical performance as with aesthetic appeal," said Jeanneret.

"My clients' expectations are often totally unrealistic," she said. "They want the highest quality at the lowest possible price."

At the fabric fair in Paris this weekend, some 40,000 buyers will be looking for the same thing.

MICHELE LOYER is a journalist based in Paris.



SPORTS FOOTBALL

Vikings Will Test Bears' Defense

New York Times Service
Bears (2-2) at Vikings (3-1)
Key Stats: Its 41 points against Atlanta was the most by Chicago in three years, but the Bears have scored only one second-half touchdown in their last three games. **Comment:** Winning easily at Cincinnati last week gives Minnesota all the confidence it needs to handle Chicago on home turf. The Bears' defense has allowed seven plays of 40 yards or longer, look for the Vikings to get more. Minnesota has nine passing touchdowns, most in the NFC, and the Bears have allowed 10 passing TDs, most in the National Football League. The Vikings are favored by 4 points.

The ball always bounces the wrong way for them, or John Elway pulls off a heroic feat that snatches away an apparent Kansas City victory. But not this time. Kansas City's offensive line dominated the Raiders, and Denver's offensive line is hurting. But can the Chiefs exploit that edge? Broncos by 1.

Rams (2-2) at 49ers (3-1)
Key Stats: Los Angeles won only three games last season and ranks last in the league in defending against the run. San Francisco is averaging 154 rushing yards per game. **Comment:** Many opponents have marveled over the way the 49ers beautifully mix their plays under the new offensive coordina-

tor, Mike Shanahan. Every play seems to set up the next one, and the Rams will be overwhelmed, too, by San Francisco's flexible schemes. 49ers by 15.

Dolphins (3-0) at Bills (4-0)
Key Stats: Miami is playing its third road game in four weeks; Buffalo leads the league in scoring, averaging 38 points per game. **Comment:** These two teams again battle for supremacy in the AFC East. The Dolphins believe they have bolstered their defense enough, and with tight end Keith Jackson they have added another offensive weapon to help topple the Bills' recent divisional reign. Buffalo still steams whenever it sees the Dolphins. Another offensive show, with Buffalo prevailing. Bills by 11.

Saints (2-2) at Lions (1-3)
Key Stats: New Orleans has allowed only 11.1 points per game; Barry Sanders has only 279 rushing yards and Detroit's 11-game home winning streak was snapped by Tampa Bay. **Comment:** This game could take many shapes. You have robust defense (Saints) against a struggling offense, and this forms the primary matchup. The Lions want to use more pure run-and-shoot formations — getting away from their new tight-end look — and backup quarterback Erik Kramer gets another chance to produce magic with injured Rodney Peete out. Even.

Giants (1-2) at Raiders (0-4)
Key Stats: New York was 9-of-15 in third-down conversions against Chicago two weeks ago;

Los Angeles has allowed 24 or more points in each of its last three games. **Comment:** The Giants had a week off because of a bye. The Raiders play on a short week, having lost on Monday in Kansas City. These are two aging squads; expect a spirited push from the home team. Raiders by 1.

Seahawks (1-3) at Chargers (0-4)
Key Stats: San Diego has out-gained its opponents in total yards and in first downs; and although it has not lost a fumble it has been intercepted a league-most 11 times. **Comment:** The Chargers remained relatively close in their first three games before Houston blasted them, 27-0, last week. They are a talented team, especially defensively, but continue to have trouble meeting. The new coach, Bobby Ross, was supposed to provide some glue, but the fragments remain. Here is a start, as San Diego regroups to give Ross his first victory against a team that has beaten only New England. Chargers by 4.

Redskins (2-1) at Cardinals (0-3)
Key Stats: Washington allowed nine sacks in 21 games last season but has already allowed four. Phoenix has allowed 10 sacks and has given up 31 points in each of its last

Packers (2-2) at Falcons (1-3)
Key Stats: Green Bay has allowed more yards than Atlanta (1,474 to 1,472), but fewer points (80-92). **Comment:** The Falcons get a close-up look at what they gave up in quarterback Brett Favre when he starts against the Atlanta defense. Favre, a second-year player from Southern Mississippi, was the 33d player chosen in the '91 draft, and was traded to the Packers in February for a '92 first-round draft pick (the 17th overall, which Atlanta used to get Southern Mississippi running back Tony Smith). Falcons' quarterback Chris Miller is the chief reason Favre was traded. Falcons by 7.

Colts (1-2) at Buccaneers (3-1)
Key Stats: Tampa Bay's Reggie Cobb rushed for 107 yards in victory over Detroit, and rookie defensive tackle Santana Dotson, a fifth-round pick, has 6.5 sacks. **Comment:** The Buccaneers won their first road game in 16 attempts when it beat Detroit, and is 2-0 at home with victories over Phoenix and Green Bay; Indianapolis is not any more of a threat than those two teams. Tampa Bay remains at the top of the NFC Central division, and quarterback Vinny Testaverde — three interceptions last week after none in his first three games — should be back on track. Buccaneers by 7.

Chiefs (3-1) at Broncos (3-1)
Key Stats: Kansas City has the AFC's top-ranked defense; Denver has won six of the last seven in this series but has allowed nine sacks in its last two games. **Comment:** Strange things happen when the Chiefs visit Mile High Stadium.

NFL MATCHUPS

These matchups were written by Thomas George of The New York Times. Odds are from *Horrah's* in Las Vegas.

Stuttgart And PAOK Face Bans
The Associated Press
ZURICH — European soccer officials were to decide Saturday how to penalize Germany's VfB Stuttgart for violating the foreign players' rule and the Greek club PAOK Salonika for fan violence.

Stuttgart could be expelled from the Champions' Cup competition after fielding four foreign players instead of the maximum three against the English club Leeds on Wednesday. Although Leeds won, 4-1, to tie the aggregate score at 4-4, the Germans advanced because they had scored on the road.

Both teams were placed in the second-round draw Friday, pending the decision by UEFA's Control and Disciplinary Commission on whether to expel Stuttgart or replay the game. Whichever team advances will face Scotland's Glasgow Rangers. (See Scoreboard)

The commission also will hear how fans of PAOK Salonika hurled objects onto the field when their team was trailing the French club Paris-St. Germain, 2-0, in their UEFA Cup match.



PAOK fans hurling objects onto the field during a UEFA Cup match against Paris-St. Germain. Milan faces Slovan Bratislava of Czechoslovakia and the defending titlist Barcelona meets CSKA Moscow. Olympique Marseille, runner-up two seasons ago, will play Dinamo Bucharest; PSV Eindhoven, winner four years ago, faces AEK Athens, and Porto, which won the title in 1987, draw Sion of Switzerland. The Cupwinners' Cup holder, Werder Bremen, meets Sparta Prague, while the UEFA Cup holder, Ajax of Amsterdam, faces Gouren of Portugal. The first leg games are Oct. 21 and the returns Nov. 4.

Miami's Winning Streak Is the Target of a Seminole Spear

By Malcolm Moran
New York Times Service
CORAL GABLES, Florida — One by one, the Miami Hurricanes walked out on a soggy practice field to study the imitation Seminole spear that could change the tenor of what had been a respectful rivalry with Florida State. A flaming spear, thrown into the ground whenever the Seminoles play at home in Tallahassee, has come to symbolize the intensity of a series that holds an annual impact on the national rankings.

But the seven-foot (two-meter) stick that the Hurricanes spotted Thursday, the width of a broom handle, was painted red and plunged into the 35-yard line of the offensive unit's field. "Hey UM," it read. "The Spear Ends Here. Andrew Rocked You. We Will Crush You!"

"Love, An FSU Alumnus
 "P.S. Rusty Got Lucky"
 The effects of the hurricane designated Andrew could still be seen in the tortured trees and mangled

fences on campus, and heard in stories of recovery. Rusty McGeair, the defensive end who would have posed the biggest challenge on Saturday to the mobility of Florida State quarterback Charlie Ward, remained in a hospital, recovering from major surgery on the knee he injured in the 8-7 victory over Arizona.

Whatever the source, and however insensitive the handwritten challenge, it held reminders of the most difficult period in the recent history of the nation's most successful college football program.

The Hurricanes were booed during their escape over Arizona last Saturday, their 21st consecutive victory and 47th in a row in the Orange Bowl. The overall victory streak is the longest among major colleges; the home streak is 10 short of Alabama's record.

"It was just embarrassing," said Stephen McGuire, the running back who has gained 39 yards in two of Miami's three victories in his return from reconstructive knee surgery. "I took it as a loss. Nobody wants to be the first team to lose in the Orange Bowl, because

then you're going to hear it from the older guys." Miami has won six of the last seven meetings with Florida State, including the 17-16 victory last year at Tallahassee that cost the Seminoles a chance for a national championship. It has not lost to them at home since 1984.

Miami's recent players have had to cope with the deaths of the former Hurricanes Jerome Brown, killed in a car accident, and Shane Cherry, who was murdered. Current and former players are awaiting the outcome of a federal investigation into charges that financial aid was obtained fraudulently.

The current upperclassmen, who have inherited the expectations of a championship legacy, have examined the motivations of teammates and accused some of selfishness.

McGuire repeated Thursday that he would probably have applied for the National Football League draft if not for the injury.

And there is the reminder of a quiet moment when the team came together in August, before the hurricane, and the senior class posed together for a picture. And Lamar Thomas, instead of saying "cheese," said, "First round."

The subject is sensitive because Miami's NFL connections, its 82 draft choices in the last 11 seasons, 15 in the first round, provide a reason that the school continues to recruit so successfully.

But the issue was raised after a rare full-pad practice on Monday.

"Everyone stated we had to stop being individuals," said tailback Darryl Spencer.

"We're a first now," Spencer said, "instead of an open fist." But the hope to play at the next level remains an important personal goal to consider.

"That's sometimes hard not to do," said Kevin Patrick, the junior defensive end who will replace McGeair in the starting lineup. "There's so much involved in a football game these days. It's almost not a game anymore."

BOOKS

THE BRIDE OF THE WIND: The Life and Times of Alma Mahler-Werfel
 By Susanne Keegan. 346 pages. \$23. Viking Inc., 375 Hudson Street, New York, New York 10014.
 Reviewed by Ernst Pawel

ALMA nee Schindler was an egotistical snob, but she had a good excuse: To have been the widow of Gustav Mahler and Franz Werfel, the ex-wife of Walter Gropius, the mistress of Gustav Klimt and Oskar Kokoschka, not to mention an assortment of budding or clipped-in-the-bud geniuses, is an impressive record of sorts, even though it probably owes less to her personal charms than to the psychobiology of sensitive spirits in fin de siècle Vienna.

She was a blowzy, self-centered Brunhilde, a gifted and knowledgeable pianist, but famously ignorant otherwise. And yet, this prelatric bigoted enjoyed the friendship of many artists and liberal intellectuals. What was it about her that reduced men such as Thomas Mann, Bruno Walter, Arnold Schoenberg and Arturo Toscanini (she never had any close women friends) to ignore her mad-dog-headed opinions and the particularly offensive streak of anti-Semitism?

These are some of the questions Susanne Keegan explores in her biography of Alma Mahler, based on an abundance

of archival material. Another source appears to have been Anna Mahler, daughter of Gustav and Alma, since deceased, to whom the book is dedicated.

By and large, Keegan avoids plunging into the murky waters of psychology and lets the facts speak for themselves. Born in 1879, the daughter of a successful landscape painter, Alma lost her father when she was 13. The loss was real enough, but the mother's precipitate remarriage made it assume mythical proportions. Alma's physical beauty and the scope of her musical talent may be open to dispute, not so her ability to seduce some of the most important music teachers in Vienna. Technically, however, she retained her virginity until she met Gustav Mahler in 1901. At their fourth meeting the already famous 41-year-old conductor of the Vienna State Opera proposed marriage, and despite her family's vehement opposition — Mahler's Jewish origins upset them more than the 19-year age gap — Alma not only accepted but agreed to forgo all further thoughts of an independent career.

Still, the renunciation began to rankle; she found it increasingly difficult to put up with the degree of self-absorption to which Mahler felt entitled by his genius. The birth of their two daughters briefly revived the marriage, but in 1907, with the family about to leave for New York on Mahler's first engagement with the Metropolitan Opera, the older one died at the age of 5. Neither Mahler nor the marriage ever quite recovered. Alma be-

gan an affair with the young architect Walter Gropius, which drove Mahler to the extreme of consulting Freud.

The rift widened and after Mahler's death in 1911 she eventually married Gropius, four years her junior. Almost simultaneously, moreover, she carried on an affair with the painter Oskar Kokoschka, seven years younger, which obviously complicated the situation. Nevertheless, the marriage formally survived until 1920, although in effect it came to an end with the birth of their daughter Manon in 1917. By that time Alma, age 38, had already taken up with another creative spirit — the 27-year-old Prague Jewish novelist and poet Franz Werfel.

Though flirting with Austrian clericalism in the '30s, she went into exile with her husband and, via France and Portugal, arrived in the United States in 1940, where the success of Werfel's "The Song of Bernadette" soon assured them a comfortable existence among the Hollywood emigres. Werfel died in 1945.

For all her love affairs, outspoken opinions, frustrated talents and numerous abortions, Alma Mahler scarcely qualifies as a feminist heroine. What redeems this portrait of an essentially shallow egotist is the carefully researched overview of the cultural scene as well as some intimate glimpses of Mahler and his world.

Ernst Pawel, a novelist and biographer whose latest book is "The Laboratory of Exile," a life of Theodor Herzl, wrote this for The Washington Post.

BRIDGE

By Alan Truscott
 At the Spingold Knockout Team Championship in Toronto last July, Tony Forester and Andy Robson of Britain, stepped very slightly out of line as North and South on the diagrammed deal, and were heavily punished by a combination of bad luck and tricky defense.

One would choose to play the North-South hands in three no trump or four hearts, but the Britons climbed to four no-trump, which would have been guaranteed to succeed if it had been played from the North position. Two no-trump was forcing, and asked South to show any four-card suit. Instead of bidding three diamonds, as one would expect, he bid three no-trump and then passed his partner's slam invitation of four no-trump.

West led the spade eight, trying to suggest that she had little or no strength in the suit. South naturally put up the queen from dummy, and East produced the king. South held up his ace until the third round, noting that West had produced the ten and the seven as well as the eight.

South took the queen and jack of diamonds, and faced up to the guess in hearts.

The declarer therefore played East for the heart queen. The result was down one, and the East-West team went out to victory in the match.

WEST
 ♠ 10 8 7 2
 ♥ Q 9 3
 ♦ 3 8 5
 ♣ A K 6 2

EAST
 ♠ K J 8 4
 ♥ 10 6 5 4
 ♦ 10 8 7 6 4
 ♣ Q 4

SOUTH (D)
 ♠ A 9 3
 ♥ A Q 3 2
 ♦ 10 7 3

East and West were vulnerable.
 The bidding:
 South West North East
 1 N.T. Pass 2 N.T. Pass
 2 N.T. Pass 3 N.T. Pass
 Pass Pass 4 N.T. Pass

West led the spade eight.

DOONESBURY



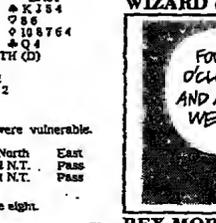
DENNIS THE MENACE



JUMBLE



BLONDIE



PEANUTS



BEEBLE BAILEY



CALVIN AND HOBBS



WIZARD of ID



REX MORGAN



GARFIELD



كلذا من اللؤلؤ

